

**TWENTY-FIVE SIDES
OF A POST-COMMUNIST**



Edited by Bálint Magyar and Júlia Vásárhelyi

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**TWENTY-FIVE SIDES OF A
POST-COMMUNIST MAFIA STATE**

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Edited by
BÁLINT MAGYAR
and
JÚLIA VÁSÁRHELYI



in association with



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Preface

“It is impossible to establish a personal relationship—never mind a policy—with a regime that has no name. If we are incapable of conceptually grasping our own reality, then we will become the prisoners of the reality of others” claims Bálint Magyar when providing reasons for the introduction of the concept of the post-communist mafia state to describe the nature and operations of the current political power structure in Hungary. Magyar—one of the editors of this volume and the author of one of its studies—first wrote about the first Fidesz government that was in power between 1998 and 2002 in a 2001 article titled “Hungarian Octopus: The Organized Surface World,” illustrating that government’s dismantling of the democratic institution system and its use of mafia methods in the pursuit of its political and economic interests.

In 2010 Viktor Orbán returned to power, this time backed by a two-thirds majority in parliament. Orbán, the prime minister and leader of Fidesz, quickly announced the construction of the National System of Cooperation, which was in fact the arrangement of a post-communist mafia state as described by Magyar. The expression alludes to the environment from which the regime emerged, i.e., a process called “the regime change” through which in 1990 state-ownership monopoly and single-party dictatorship in Hungary was replaced by a Western-style, liberal democracy based on private property, a market economy, and parliamentary democracy. The mafia state has characterized the operations of the regime that developed under the Orbán governments. The essence of this is that in

the mafia state—as opposed to the traditional (Sicilian) mafia, which uses underground organizations, tools, and methods and employs its octopus-like tentacles to encircle the state and its institutions to serve its economic interests and attain political influence—the in-power “organized surface world” presses the entire state institution system, from the legislature to armed forces, from tax authorities to the prosecutor’s office and the secret services, to serve its own interests and those of the members of the political family in its sphere of interest, primarily their material enrichment. That is to say, the state is itself the mafia, which, from above, in its position of power and maintaining the institutions of parliamentary democracy for mere decorative purposes, spreads its tentacles and forces submission and a vassal system onto society as a whole. The use of the term *mafia* is not self-serving given that the regime’s construction and spread truly follow the classic mafia model: it is defined by familial and friendship relations and shared business and wealth accumulation interests, built in a pyramid-like hierarchical order through a family network that weaves through society, and is headed by a head of family or “godfather” in one person. The accepted members of the family, from oligarchs to simple entrepreneurs, are loyal to the head of the family/godfather and his party, and they receive material and interest privileges in return for undying obedience and *omertà* (silence). This all takes place at the national level: those who do not conform to the mafia state regime are excommunicated from the nation itself. As such, the Orbán regime cannot be described using the traditional set of dictatorship–democracy concepts, cannot be characterized with markers like *authoritarian*, *illiberal*, etc., and cannot be compared to other contemporary or earlier authoritarian regimes. Thanks to its unique features described above it is a new form of autocracy: a mafia state.

Magyar analyzes all the above in a significant study, and well-known Hungarian liberal intellectuals—including economists, legal scholars, philosophers, sociologists, and journalists—explore the operation of the mafia state in areas like the economy, society, institutions, culture, education, and media. Since 2013 these studies have been published in three volumes under the title “Hungarian Octopus: The Post-communist Mafia State,” with a total of seventy contributions covering 1,500 pages. These collections of studies have been very successful and garnered attention both in Hungary and abroad, with the first volume selling 15,000 copies. The regime-describing terminology used in the studies has become an integral part of public and scientific discourse in Hungary. Magyar’s essay has

been published in English and Hungarian as a stand-alone book.¹ In this volume we have selected from among the seventy studies mentioned above and updated twenty-five that will make the current Hungarian political regime understandable and interpretable for foreign readers. We feel this is important because we are currently witness to the emergence of similar regimes threatening democratic systems in other East European countries, but primarily in the former Soviet Union. Hungary's new-styled autocracy may serve as an example in the future in other regions as well. As such, the issue at hand is no longer one that affects only the domestic political life of a small country of ten million in East-Central Europe, but is a European and world politics affair that influences the entire democratic world and international public opinion.

Júlia Vásárhelyi
editor

NOTE

¹ Bálint Magyar, *Post-Communist Mafia State: The Case of Hungary* (Budapest: CEU Press–Noran Libro, 2016).

I.

Balázs Trencsényi

What Should I Call You? The Crisis of Hungarian Democracy in a Regional Interpretative Framework

Like so many times in recent years, as a participant at a Princeton University conference in April 2014 on Eastern European transitions, I had to face the fact that the pessimistic tone of the lectures and comments emphasizing the fragility of liberal democracies in Hungary, Romania, and Bulgaria stood in sharp contrast to the optimistic analyses regarding Poland, Slovakia, or the Baltic states. However, following the triumph of PiS at the Polish elections in October 2015 this counter-position became untenable. Ironically, while after 2010 Poland has habitually been viewed as preeminent and Hungary as an atypical case having moved in an antidemocratic direction (to such an extent that certain analysts have attempted to simply exclude the Hungarian situation from their generalizations on the region as an anomaly), just a few years ago the symbolic hierarchy of Central and Eastern Europe was constructed completely differently. For example, one of the Hungarian participants at the above-mentioned conference recalled that they had had the same debates in Princeton in 2005, except that the roles had been reversed: Hungarians, proud of their democratic potential, patted the backs of the psychologically ravaged Polish participants, who were experiencing the rule of the Kaczyński brothers as a collapse of the values of the 1989 regime change, and in this spirit attempted to describe the Polish events with a fateful “theory of deviation.” Needless to say, all of this **increasingly calls into question the sustainability of the model of democratic transition in Central and Eastern Europe**, which was dominant in the thinking of political theorists both locally and globally after 1989.

That the prevailing political situation causes such strong fluctuations in a country's political and sociohistorical self-image is partially due to the fact that the analytical categories which are invoked are superficial, and the often extremely formalized scientific apparatus sometimes only serves as a retroactive justification of existing value judgments. In this study, I will attempt to peel away into their basic elements interpretations that seek to describe the paths of Eastern European countries veered from their democratic transitions toward a nondemocratic direction. On the one hand, I point out certain presumptions that have made it difficult to interpret processes of "backsliding," such as those that have occurred in Hungary since 2010, on the other hand, I offer considerations for developing a regional interpretative framework that is sensitive to similarities and differences alike.

From its very beginning, European political thinking has been concerned with the issue of how different forms of government transition into one another. One of the fundamental elements of Plato's theories of state formation, linked to the Socratic tradition's critical attitude toward democracy, is that tyranny does not evolve from the monarchy, but rather it is democracy and the rule of the masses that turns into despotism.

Although all of this appeared quite unfamiliar to the political culture of the Middle Ages and early modern age, as there were hardly any structures that could be called democratic apart from certain city-states, it again became relevant to nineteenth-century political thinkers. Some theorists attempted to interpret the dynamic of the French political system from this perspective, both from the "Great Revolution" to the events leading up to the Jacobin terror and Napoleon's autocracy, as well as the 1848 radical democratic revolutionary movement culminating in the rise of Napoleon III. This problematic became all the more actual between the two world wars and appeared in totalitarianism theories after 1945 to great acclaim, obviously closely related to the historical experience of the collapse of the Weimar Republic.

It is no coincidence that the central concept of the transitory theories developed in the 1970s was precisely authoritarianism: the dynamic relationship between dictatorial and democratic structures was examined primarily in the context of Spain, Greece, and South America. Interestingly, transitory literature was thus originally rooted at least as much in interpreting the collapse of democratic regimes as it was in research on the transition from authoritarian systems to democracy. Thus, for example, leading books by Juan José Linz examined movement in both directions through the overall extent of Spanish and Latin American examples.¹ In the 1970s, a research tra-

dition sympathetic to neo-Marxist theories of semi-peripherality also joined this debate, examining the histories of dysfunctional and manipulated semi-democracies—primarily focusing on the examples of Greece, Spain, and Italy at the end of the nineteenth century and South America in the mid-twentieth century—with the use of key terms like *caciquismo* (the rule of local bosses) and clientelism.² The central feature in these descriptions was the duality of the democratic institutions that appear stable on the surface, and the political structure that is controlled by the reigning political class underneath it, where, in the writer László Németh's apt phrasing, "Parliament is just a fancy plaster ornament on the building of the actual system," and the elections are more about ritual acts legitimizing the current results of power struggles between elite groups than expressions of the people's will.

But the emerging processes of democratization in Southern Europe and partially in Latin America in the mid-1970s turned this trend around, and the central issue in transitology research became increasingly the transition from authoritarian regimes to democratic ones. All of this largely contributed to the formation of one of the most important dogmas in political theory of the 1980–90s, that the road leading out of authoritarian systems only goes "outward," and that essentially only a single such path exists, namely toward a liberal democratic structure rooted in the Western European and North American political tradition. Although the creators of the paradigm, such as Linz, were still aware of the reversibility of the democratic process, transitology in a vulgarized form, which took the false promise of the "end of history" seriously, for a period of time completely forgot about the road that was far from leading only to the development of democracy.

This conviction has also essentially shaped transition theories in Eastern Europe, inasmuch as defining the interpretative categories given as an explanation for events occurring in the Soviet sphere of power since the end of the 1980s. All of this was also associated with a new type of regional self-positioning, primarily regarding Spain, Portugal, and Greece: as model countries for the democratic process, they appeared to offer a universally applicable prescription (in this context, the Moncloa Pact, for example, became an important transnational reference).³

Of course, it would be a mistake to state that everyone in the 1990s viewed the new structure that emerged during the regime changes optimistically, but most criticism in Central Europe was primarily directed toward the revival of radical nationalist ideologies. The main threat in publications by Adam Michnik or Miklós Szabó at the beginning of the 1990s was retro-

grade ethnic nationalism that was more antisystem than systemic, and so their interpretations regarded those who represented it as more like anachronistic zombies (cf. “the legacy of the mummies”) than “engineers” of a structure constructed as an alternative to the democratic system.

The acoustics of all of this was of course completely different in cases (such as in Serbia, Croatia, or Slovakia) where, as nation-state building became a central issue, the liberal democratic value system was temporarily subordinated to national collectivism. As a result, analyses originating from outside the region in the second half of the 1990s increasingly began to speak of three distinct country-based groupings (Central Europe, the Balkans, and the post-Soviet region). But the borders were not fixed, and certain countries could also move in different directions. Thus, the Baltic states, for example, starting with the burden of sizeable Russian minorities and reconstituting a political community on an ethno-cultural basis, in time caught up to the “consolidated” Central European region; Slovakia for a while fit the Southeastern European model for many, but by the end of the 1990s returned to the “Central European club;” and Slovenia was essentially able to exit the reference system of post-Yugoslavia at the beginning of the 1990s.

It is not necessary at this point to dwell at length on discussing the inherently problematic nature of using such regional classifications as an interpretive model; squeezing a country into a subcategory instead of adhering to processes only offers one type of schematic framework, while the need for institutional-political taxonomy makes the borders between the subregions more rigid. Thus, for example, the category encompassing Eastern European countries unable to enter the European Union within a foreseeable time frame became the “West Balkans,” into which Moldova was also included after a while, defying all geographical logic, since there was no other it would otherwise fit in.

Due to the dominance of mesoregional interpretive frameworks, the first observations of the foundering of the democratic transition were also built on the interconnection of the spatial and institutional-structural categories. In this context, the debate on “veering” in the post-Soviet region was critical: the metaphor of a “Weimar Russia” had appeared by the mid-1990s. However, this was not yet accompanied by systemic, only by socio-psychological analyses and references to historical mentality. But starting from the end of the 1990s, the newly strengthened Russian autocracy and the neighboring states attracted to it demanded a fundamentally new analytical framework. The drafters of Putinist ideology themselves served as

excellent raw material for this as well, in that they also attempted theoretically to stress the differences between their own systems and Western-style representative democracy (conceptual innovations like “sovereign democracy” were a good reflection of this effort).

The deepest analysis of the post-Soviet autocracy thus far is associated with the name of M. Steven Fish, who in the late 1990s had called attention to the development of the Russian political system toward an authoritarian direction, which could not be placed within the democratic transition paradigm. By the mid-2000s, he developed an even more complex model for interpreting the Russian political system.⁴ Fish’s starting point was a type of post-Soviet *Sonderweg*, but placed in a regional comparative framework. The most important factors that he felt defined the development of Russian political culture were the dominance of the energy sector, the presidential structure, and the lack of civil society. According to the model he outlined, therefore, the turn toward authoritarianism is a combination of political and societal reactions—in this spirit, Fish rejected the concept of authoritarianism as an interpretive framework, as he felt it denotes a political style more than a type of government.

In recent years, not independent from the increasingly evident manifestations of autocracy that have provoked international reaction, more and more academic texts have been published that have sought to describe the characteristic political structure of the post-Soviet region. David R. Cameron and Mitchell Orenstein attempted to capture this in a study with their concept of “hybrid authoritarian democracy.”⁵ “Hybridity” in this context refers to the existence of the forms of a democratic political system, yet with no democratic alternative to those currently in power. The authors argue that differences within the region depend primarily on the relative distance from the West and the strength of democratic traditions. According to this view, Ukraine has the best chance of building a Western-style democracy, while the Central Asian republics are basically fated to remain captives to authoritarian regimes.

Beyond the Transitology Paradigm?

The development of the political regimes of the post-Soviet region toward a direction irreconcilable with the Western European democratic model gave an increasingly stronger argument to those who, toward the end of the 1990s,

questioned more and more loudly the theorem of transitology literature, on which there had been almost unanimous consent until then regarding the civil liberal-democratic structure as the only conceivable endpoint of this process.

Fareed Zakaria radically rejected all of this in a provocative 1997 article, in which he suggested the concept of “illiberal democracy” as a category capable of describing a new type of political system that seemed to be gaining ground not only in Eastern Europe, but in every Asian, African, and South American country where the transition to democracy was foundering in any of its stages.⁶ In Zakaria’s interpretation liberal and democratic value systems do not coincide at all, as liberalism primarily means a check on power, while democracy instead signifies the acquisition and use of it. Even in Western Europe, these two have not been completely in alignment. But in political regimes that are only partially consolidated, the majority-based logic of democracy, where the winner takes everything, means that the political forces which obtain power grasp hold of all branches of power and economic resources in the strict sense of the word.

Illiberal democracies are built upon strong leadership personalities who surround themselves with uncritical sycophants and use the secret service apparatus to retain power, and claiming to act on behalf of the people, demolish checks on power and structures that in a certain sense restrict popular sovereignty (such as the Constitutional Court). According to Zakaria, this was particularly true for presidential systems, but could also occur in cases where, due to parliamentary instability, the desire for a charismatic leader to stand above the institutions of popular representation increases. But the point of Zakaria’s analysis was not so much to describe the structure of illiberal democracies as it was a political argument, in that Euro-Atlantic policies should not be fixated on the promotion of democracy, since the absolutization of democratic principles can easily become a justification for repressive regimes. Instead, they should be directed toward promoting liberal institutional checks on power, even at the cost of violating democratic principles to a certain extent.

“Illiberal democracy” was only one type of adjectival construction describing a postauthoritarian system.⁷ From the mid-90s, numerous other attempts have been made to capture this group phenomenon, from Leonardo Alfonso Villalón’s concept of “quasi democracy,” used in the African context, to Terry Lynn Karl’s “hybrid democracy,” Larry Diamond’s “electoral democracy,” and Michael McFaul’s “managed democracy,” all the way to Charles King’s “Potemkin democracy.”

It is no coincidence that, a few years later, Thomas Carothers diagnosed the collapse of the transitology paradigm in a study, discarding its dominant element, “democratic teleology.”⁸ He felt it was simply not true that the majority of countries sailing the stormy sea of the transition had finally reached a “democratic safe haven.” In fact, only a small portion of them had become truly democratic in the Western sense, with another part having constructed new authoritarian systems, while the majority of these countries were located in a gray zone—neither democratic nor overtly authoritarian. This group is characterized by the existence of certain aspects of a democratic political structure, meaning that there are functioning political parties and elected officials, regular elections are held, and some type of civil sector also exists, but at the same time, the room for the political opposition to maneuver is quite limited, measures that erode the legal system but suit the interests of those in power are frequent, the operating standard of public institutions and the level of public trust are both low, and participation in elections steadily declines due to the lack of a real alternative, thus questioning the very legitimacy of these elections.

Carothers separated two models of the formation of semi-democratic systems that can be classified in the gray zone: “feckless pluralism” and regimes built around the dominant power center. Although these seem to be the opposites of each other in a certain sense (in one of them, the political system’s permanent instability gives an opportunity for strong-armed “consolidators” to seize power, while in the other, the inherently predominant power center makes the formation of a genuine plural democracy impossible), nevertheless they have common basic features. For instance, one of these is that the party or movement which attains power gradually expropriates government funds and manipulates elections to a certain degree with the help of those very same funds, but without enabling one to discern outright electoral fraud. Another common feature is the intertwining of political and economic power (*crony capitalism*), which makes corruption an essential feature of the regime, even if it organizes resounding anticorruption campaigns from time to time.

Carothers maintains that these systems are transitional inasmuch as they consist of a mix of democratic and authoritarian elements, yet they cannot be regarded as an intermediate stage on the road leading to a fully developed variation of liberal democracy. Similar to Zakaria’s article, all this provided serious lessons for American foreign policy by rejecting the institutionalist export of democracy, in which the existence of democratic repre-

sentative institutions and elections measured a particular country's "democratic performance" while at the same time neglected to take economic and sociocultural factors into account. From a similar perspective, looking at the failure of the EU to curb the Hungarian government's policies of power concentration, the American legal sociologist Kim Lane Scheppele has also criticized approaches that consider exclusively formal democratic criteria as basically playing in the hand of the authoritarian leaders.⁹

Authoritarian Typologies Rethought

Parallel to questioning the transitology approach, an experiment also began with a new theory of authoritarianism that was capable of integrating the variations that emerged after 1989. The paradigm's "grand old man," Juan Linz himself, also attempted a new typology distinct from models such as the semi-constitutional monarchies typical of the nineteenth century, Eastern sultanic regimes, or even oligarchic democracies.¹⁰ Linz's starting point was the notion—which has become commonplace since Hannah Arendt—of authoritarianism and totalitarianism having a fundamentally different logic. In authoritarian systems, a kind of limited political pluralism is present and there is no detailed or elaborated state ideology, although also typical of these systems is a mentality built upon authoritarian reflexes that also strives to justify them with ideological references. It is less elaborated than totalitarian models, but the cult of the leader is still of key importance in legitimizing the regime. As opposed to the "permanent state of emergency" that keeps the population moving, as typical of totalitarian systems, authoritarian systems only occasionally resort to the means of political mobilization, and most of the time are content with depoliticizing the public sphere. Along with this, Linz believes that authoritarian regimes, within limits, retain a limited pluralism and a kind of division of the elites.

The Spanish political scientist also attempted to place regimes into this framework that have unsuccessfully competed in the obstacle race of the post-1989 democratic transition and have turned toward an authoritarian direction. However, his model gives little indication of what the features of those regimes would be, that were resulting from a process intended to develop conditions for democracy and a market economy that went off the rails.

Similarly, Paul Brooker's summary overview of nondemocratic systems contains a somewhat schematic-ideal type construct.¹¹ In his view, incongruity is a feature of modern semi-democratic/semi-dictatorial systems: it is an authoritarian way of exercising power that at the same time tries to formally satisfy the requirements of a democratic system.¹² Brooker tried to distinguish various subcategories from one other: a "proto-democracy," which is a transitional form with democratic principles prevailing in a limited way in the institutional system; a "pseudo-democracy," typified by a ruling party in a hegemonic position and a restricted ability to assert political preferences; a "semi-dictatorship," where although the main officials are elected, the election itself is actually a formality; and finally an "authoritarian democracy," where the democratic framework is overwritten by a leader that stands above the institutions.

Another influential attempt to describe post-Cold War authoritarian regimes was a book by Steven Levitsky and Lucan A. Way.¹³ The two authors sought to go beyond the usual transitology references toward a globally valid model, in part drawing inspiration from Huntington's ideas while also referring to the work of Andrew Janos, an American scholar of Hungarian origin who gained a reputation through his Eastern European application of center-periphery theories. Levitsky and Way's starting point did not otherwise differ from those of the other analysts quoted above, in that they also attempted to describe post-Cold War "hybrid systems" that hold regular elections but cannot be considered democratic in the strict sense of the word. They argued that the main features of these systems are election manipulation, inequality of access to the media, abuse of state funds, and vexation of the opposition. All of this leads to a competition for power that is real, but that can by no means be considered fair.

The authors conclude that many factors influence the formation of these hybrid systems: these include, for example, the relative distance of a given country from the West, to what extent the authoritarian leaders succeed in putting state administration and the ruling party (or parties) under their thumbs, and how well they succeed in getting their hands on government resources. The authors called this "competitive authoritarianism," taking issue with Linz, who believes that authoritarianism has no such competitive subtype. Way and Levitsky argue that this model developed precisely as an awkward result of liberalization efforts typical of the 1980s and 1990s, given that elections have become an unavoidable means of legitimization for every modern state. While formal authoritarianism

has become increasingly untenable in the new global context, informal control of power has become the dominant strategy for political elites on the periphery and semi-periphery. **Important elements in their repertoire of techniques include patronage, the use of economic power for political purposes, uncertainty in the constitution, the selective enforcement of fiscal regulations, the proliferation of executive power, a reduction in the competency of the Constitutional Court, and movement toward a presidential arrangement.** This obviously sounds quite familiar to Hungarian or Polish readers, but these authors have also fallen victim to regional categorization to an extent, in that they presume a strong correlation between geographic proximity to the West and the process of democratization. Thus, they have focused primarily on post-Soviet Eastern Europe and regions outside Europe as the natural habitats for competitive authoritarianism.

Regional Interpretations of Central and Eastern Europe

The fundamental problem of Linz, Brooker, Levitsky, Way, and the other authors who have created explanatory models, therefore, was the dominance of their generalizing approaches and their lack of contextual analyses. As a result, though it is relatively easy to assign these adjectival forms to specific cases in Central and Eastern Europe, this approach is still very poor at explaining how such a regime actually develops and operates. What is more, the commonly held idea that the course of Central European countries already integrated into the European Union radically deviates from that of the post-Soviet Eastern Europe states, and some West Balkan states as well, essentially prevented East-Central European aspects from also being incorporated into these models.

In fact, only after enlargement of the EU did discourse on the region begin to emerge with a claim of validity of a “sudden stop,” or “backsliding” following the new countries’ entry, or to use an interpretive word that came to enjoy great success, “hooliganism.”¹⁴ It is also important to emphasize that signs of the crisis did not appear at all in the wake of the global economic crisis of 2008, which is clearly reflected in the thematic issue of the 2007 *Journal of Democracy* as well.¹⁵ The interpretative framework here deviates considerably from the ideal type of power typologies analyzed thus far: authors from the region were more interested in the operational

mechanism of the political system and the moral and mental states of the various groups (elites, parties, voters) involved in politics. This reflects the fact that, more than authoritarianism, the similarly multifaceted concept of populism has played a much more important role in these studies.

The Romanian social psychologist and political analyst Alina Mungiu-Pippidi, for example, offered her own diagnosis specifically on the concept of populism. She tied together the appearance of populism with the radicalization of political culture, the ideological polarization of the electorate, constant discord between parties and within them, and the recurring violations of democratic principles. She also stressed that this did not mean the elimination of the democratic system, but rather a sobering lesson on the true cultural and political status of the respective societies following overly optimistic expectations of European integration. However, this is not exclusively a problem within this region, as populism has dangerously strengthened throughout Europe.

What Mungiu-Pippidi believes is specific to just the Central and Eastern European region, however, is the occupation of the media (*media capture*), which, in her view, neither Eurocrats nor representatives of the newly-accepted countries paid enough attention to during integration negotiations, and thus essentially “made the bed” for the aggravation of political conflicts. Yet, these conflicts were not themselves the consequences of EU entry. Rather, we can say that because of the entry, political elites held themselves back for a period of time and then later returned to their usual patterns of behavior on a “business as usual” basis.

The Romanian-American political scientist Vladimir Tismăneanu focused on the relationship of political culture and the institutional system: in recent years the distance between politicians and civil society has grown, the fabric of society has loosened, and institutional safeguards limiting majority rule have weakened. Meanwhile, a “second revolution” has also appeared among the losers of the transition and in certain elite groups, meaning the desire for a new “clean slate,” which makes the national communist (or “Stalinist-fascist”) topoi once thought to be outdated topical again.

Jacques Rupnik, also sought to place regional disillusionment in the institutions of representative democracy into a wider context. In 2007, the two most obvious “crisis countries” to him were the Czech Republic, which was unable to form a government for several months, and Poland, which brought the Kaczyński brothers to power in the 2005 parliamentary and presidential elections. For Rupnik, it was the Polish example which showed

that the idea of a linear development from a party-state dictatorship to democracy was utopian. He also pointed out that it is not enough to use formal institutional measurements (such as the issue of holding fair elections) to judge the extent of democratic consolidation in a country.

Like for Mungiu, populism—both as a political system and a political style that undermines faith in democratic values—was a key concept for Rupnik. In addition, he also criticized the European institutional system as having been unable to set up regulation mechanisms for the post-enlargement situation in Eastern Europe. At the same time, Rupnik did not find the situation tragic, and drew attention to the fact that some of the populist parties that ended up in government (such as the Slovakian social-democratic party Smer) started on the road to consolidation while keeping to the center, and in this spirit he expected something similar from the governance of the Polish right-wing national-conservative party Law and Justice (PiS) as well. And though he considered populism dangerous, he also called attention to the control mechanisms of European institutions, and ended his comment on the optimistic note that even with all of its difficulties, the region's lot had never been as well as it was at the time. If possible, the Slovakian Martin Bútora struck an even more optimistic tone, categorically stating that unlike Russia, East Central Europe was not standing on the verge of a turn toward authoritarianism, although the process of strengthening representative democracy had undoubtedly slowed down.

The Bulgarian political commentator Ivan Krastev also thought it was an exaggeration to draw alarming parallels with the Weimar Republic, since he felt that the region's economy was roaring along, its standard of living was growing, the EU was a guarantor of democracy and the maintenance of liberal institutions, and that there were not paramilitary gangs running around in the city centers of Budapest and Warsaw, but hordes of shoppers (in the fall of 2006, it appears that he was, as the saying goes, "watching a different film"). For his part, he felt that even the threat of populism was exaggerated; his view was that this is a panic reaction stemming partly from the fear of mass political participation. He therefore believed that antiliberal sentiment in Eastern Europe was an instinctual reaction to both the deficit of democracy from the expansion process settled through the technocratic elite excluding the masses, and to the marginalization of anti-capitalist social discourse by liberal elites. A further irony of the situation, according to Krastev, was that populist politicians who attain power with antiliberal rhetoric themselves also pursue neoliberal policy prescriptions.

Finally, although from a fundamentally different point of view, the Hungarian political economist Béla Greskovits offered a sharp analysis on the relationship between neoliberalism and illiberalism. His view is that macroeconomic pressure placed on local political elites and on those coming from Brussels had formed an alternating economy of EU-conforming neoliberal and “antiregime” illiberal proposals, in which various middle-class groups fight with each other to push the costs of these conversions onto one another. In 2007, the greatest source of danger to Greskovits was that neoliberal and illiberal positions could be combined together in certain cases, monopolizing the political space and eliminating alternative proposals.

It is very apparent through a summary overview of these rejoinders that a sense of awareness of the crisis existed even before it “officially” began in 2008, yet on certain points each of the analysts seems naively optimistic when looked at today: thus, for example, regarding the Hungarian economic dynamic (which from the start of the 2000s had begun to show symptoms of crisis, in sharp contrast to the Czech, Slovak, Estonian, or even Romanian economies, which were expanding by leaps and bounds), most authors, bearing in mind that this excludes Greskovits’ study, were under the influence of an unparalleled economic boom in East Central Europe, and did not connect problems in the political system with economic processes. At the same time, despite a few critical comments, in 2007 the value and institutional system of the European Union appeared solid, and the possibility of a turn to authoritarianism within the EU was virtually inconceivable to the analysts discussed above.

In his book on the Bulgarian transition focusing on the interconnections between the post-communist political and economic spheres, Venelin I. Ganey, a US-based Bulgarian political scientist also took issue with the mainstream interpretation of this transformation.¹⁶ His analysis attempts to show that the process of “state plundering” followed the specific economic interests of networks rooted in the previous regime, and how they were able to free themselves from government supervision. They succeeded in doing this without resorting to much violence, but instead just took advantage of the gray zones left by a completely insecure state apparatus during the regime change. According to the emphatically liberal Ganey, all of this was also assisted by a majority of post-communist political elite groups, advertising a gradual transition and striving to concentrate public ownership through administrative means, even if sometimes unconsciously.

Although his analysis focused mainly on the decade prior to EU accession, Ganev's interpretation is relevant to the problems of the previous decade as well, in that it describes informal structures that essentially cannot be grasped through traditional institutional and election-centric democratic models, yet at the same time determine to a large extent the degree of freedom and sense of freedom in society. All in all, Ganev's model has only limited applicability to the entire region over the past twenty-five years, as the most important feature of the Bulgarian context in the 1990s, as he describes it is undoubtedly the marginalization of the state bureaucracy in the face of various private interests, which is quite far from the operational mechanism of political regimes built on a statist concentration of power, crystallizing in the wake of the Eastern enlargement of the EU.

London researcher Abby Innes, who has studied the intermingling of politics and economy in the region, has raised similar concerns about the entanglement of political and economic power.¹⁷ The strength of her reasoning is that she steps out of the paradigm of Westernizing Central Europe vs. lagging Southeastern Europe, and also demonstrates the erosion of democratic institutions in polities (such as the Czech Republic, Slovenia, and Lithuania) that in general are usually spoken highly of precisely because of their democratic political culture. At the same time, however, her "state capture" model, in which economic elites occupy certain positions in the political institutional system, does not at all describe cases like Orbán's Hungary, where the elite has gradually constructed for itself an economic Hinterland. Altogether, her summary interpretation appears more sensitive than institutional analyses determined on the basis of point systems by Freedom House and other research institutes that assess "democratic performance," comforting themselves with the fact that if the average of the entire region is considered, we cannot speak of a general backsliding following enlargement, and must admit that the EU's overall impact was quite beneficial in the second half of the decade.¹⁸

After 2010, an interpretation has also gained ground that developments in Hungary indicate a potential direction for the political transformation of the region, which is perhaps more pointedly manifested in the Hungarian case than elsewhere, but cannot by any means be treated as a type of local pathology, and in terms of the entire European identity project, it is of crucial importance that this be confronted in time.¹⁹ Therefore, if we wish to examine the crisis in Hungarian democracy in a broader context, it is also worthwhile to look closely at the most important empirical studies on

authoritarian tendencies in East Central Europe. Unfortunately, we do not have an abundance of comparative approaches that would allow us to be able to go beyond either generalizations or a few quantifiable variable analyses. The most useful works of this type are the collections of studies in which different types of Central and Eastern European cases are placed side-by-side. One such attempt at this kind of synthesis is a volume edited by Valerie Bunce, Kathryn Stoner-Weiss, and Michael McFaul that tries to take stock of the post-89 attempts at creating authoritative regimes in the region.²⁰ However, the fundamental problem with these studies is that the authors are primarily interested in how these attempts failed, and they focus less on the internal construction of the regimes than on their weaknesses and the formation of movements opposing them. The book's most important lesson is that the authoritarian regimes which were overthrown were the ones where an opposition agenda and an activist subculture that represented significant groups in society and resonated with a collective discourse were able to rise up, even if the opposition parties were for the most part very fragmented and constantly quarreled with each other. Yet, this in itself was not enough to break the monopoly of power; also required was insecurity among the supporters of the regime and strong international support, both in terms of resources and "know-how." If one of these elements was missing, such as in Belarus—where opposition activists confronted a homogeneous governmental authority and moreover, international support was fairly limited due to the country's isolation—the authoritarian regimes could successfully repel these efforts at democratization. From this perspective, however, the operating mechanisms of these regimes are insufficiently discussed, not to mention their techniques for legitimization or their economic and social policy strategies.

If we want to know more about these, the texts that analyze attempts to construct the cult of personality regimes that developed around the authoritarian leaders of certain countries (Mečiarism, Tudmanism, Putinism) still provide instruction for the most part. One pioneering work in this genre is the portrait of "Mečiarism" by the Slovak journalist Marian Leško.²¹ The profile he outlines is in many respects reminiscent of the behavioral models of other "strongmen" in Central and Eastern Europe. Thus, for example, the strategy of the "man of the people" translating political differences into conceptual categories for "ordinary folk," thereby essentially eliminating the merits of the debate itself and displacing his "elitist" political opponents who are "out of touch with the people"; or the willing-

ness to leapfrog in the most illogically ideological way and even change in direction without the slightest sign of disturbance, as well as the ability to promise anything to anybody in the interest of power, and then not keep these promises when the balance of power changes later. This is all extremely instructive, but the book, which is primarily a collection of Mečiar's own statements and documentation of thought processes that contradict each other to an absurd level, essentially excludes systematic analysis.

Danijela Dolenec chose a wider and more systematic approach in her monograph on authoritarian attempts in post-Yugoslav states.²² She attempted to synthesize a regional interpretative framework, but unfortunately she also made the mistake of contrasting Central and Southeastern Europe as two completely dissimilar political models. Altogether, her analysis is far from stating that some type of negative *genius loci* can be attributed to the self-destruction of the political systems of the South Slav states, and she is very much aware that democratic institutions were powerfully present in the Yugoslav context until the end of the 1980s. However, the situation changed at the beginning of the 1990s: Dolenec, focusing primarily on Serbia and Croatia, saw the rise of charismatic leaders, insecurity in state and national frameworks, and the economic corruption of (post)communist elites as the main reasons for the development of authoritarian regimes. The result was the strengthening of executive power at the expense of the other branches of government, the overlapping of economic and political power, and the development of corruption networks. This further deepened the conflict, which from one aspect intensified nationalist mobilization, and from another eroded the institutions of the rule of law and the security of property.

By embedding this interpretation in a historical context, Dolenec sought to avoid ascribing these leaders with some type of inherent master plan; she is much more inclined to view the post-Yugoslav attempts at constructing authoritarian regimes as authoritarian structures that were made up of instinctive responses to political situations which became more coherent, but were never fully mastered. In this spirit, she identifies different developmental phases: thus Tudman made his authoritarianism complete in 1997, when the Croatian president launched a frontal attack on both the remaining independent media source (Radio 101), and on NGO representatives by branding them "Yugo-communist remnants," while designating the protection of national, cultural and sexual minorities as secondary to representing the rights of the "silent majority." It may also

sound familiar that he accused civil society organizations of representing the interests of foreign sponsors (“colonizers”), and of betraying the Croatian national cause. In addition to an ideological reconstruction, Dolenec also conducted a structural examination that focused primarily on the relationship between economic and political power. In the case of Croatia, she reached the conclusion that in the upheaval of the war, the newly-enriched political-economic elite gained control over the state, while at the same time the everyday operation of the bureaucracy did not become criminalized, but rather protected the state’s functionality.

The Serbian case was initially similar, but because of the difference in its societal structure (the patriarchalism of a traditional agrarian society was more dominant), Milošević’s attempts at authoritarianism also developed in a different manner. The effects of the war were felt more in Serbia than in Croatia (hyperinflation, paramilitary violence, radical nationalism, the strengthening of secret service powers), and so the regime created there was significantly more oppressive than in Croatia. Two particular features of this system were the overt manipulation of the elections and the reversal of the privatization process, i.e., renationalization.

Of course, for other cases in Central and Eastern Europe it is more difficult to find examples that analyze attempts to create authoritarian regimes, as these attempts themselves have not been entirely explicit. Nevertheless, there are a number of studies on the Polish, Romanian, Bulgarian, and Slovenian cases, where leaders of varying political hues and pasts, and the movements that built up around them, have attempted to undermine certain elements of liberal democracy. At the same time, in these cases **we can hardly speak of coherent authoritarian regimes, but rather of leaders possessing authoritarian traits and the tendency to merge the political and economic spheres.** A typical approach in this regard is a study by Dragoș Dragoman analyzing the Romanian case.²³ The main focus here is on the proliferation of a populist political style: like most Romanian political analysts, Dragoman stresses that the ideological differences between the right and left wings is dwarfed by the similarity of the political means at their disposal. Perhaps it could even be ventured that the reason there has not been a turn toward an authoritarian direction in Romanian political culture in recent years is not because there has not been a “demand” for it from both President Bănescu, who has moved in a conservative, anticommunist direction, or from the nationalist post-communist side, but because the opposing forces have very similar strategies and roughly similar resources.

The Hungarian Patient

It is a dubious honor that **in recent years Hungary has been referenced most frequently in the category of states in transition that have turned into a semi-authoritarian direction.** At the same time, however, in the storm of the political debates there have been very few systematic interpretations, but rather metaphors and generally superficial comparisons with other existing models. Nevertheless, there have also been a few weightier attempts to interpret the models developed in recent years in a systematic manner. It is important to point out that most such attempts have tried to embed political analysis into a narrative of social history and history of mentality that spans ages, evoking the various ideological camps and generations of Hungarian political thought (Gyula Szekfű, István Bibó, Jenő Szűcs, Péter Hanák, Iván T. Berend, Miklós Szabó, László Lengyel), and often turning back to center-periphery theories that were extremely fashionable in the 1960s–70s.

Thus, the writer and former dissident Rudolf Ungváry deduces the Orbán regime's "fascistoid mutation" from the history of "tipping over" the Hungarian political sense of reality: the rural, patriarchal, right-wing masses and the members of the "Christian middle class" had reached their own compromise with existing socialism, but feeding on their existing frustrations and frightened by civil-liberal-capitalist modernity after 1989, they finally found the charismatic-authoritarian vision suitable to them: "They have so much fallen victim to their inherited cultural habits over the past two decades of freedom that in fact they are currently only able to support a government that employs nationalist rhetoric, or nobody."²⁴

The former liberal politician subsequently allied to Orbán in the late 1990s, Péter Tölgyessy, embeds his interpretation of "directed national capitalism" in a theory of semi-peripherality.²⁵ Tölgyessy refers to historical conditioning when he discusses Hungarian society's fundamental aversion to capitalism. The social and economic crisis that has lasted continuously since the 1970s and the technocratic crisis management claiming newer and newer victims has demoralized the population and undermined the legitimacy of any kind of rational political modernization. In contrast to this, Orbán's regime offers an irrational alternative: it "mobilizes an intense desire for respect and some kind of new 'greatness,' and

the aggression triggered by the anxieties of a decades-long failed society.” Tölgyessy argues that Orbán’s construct is built upon this frustration and the emotional realm of the patriarchal, rural elites, while still constructing some type of “national” capitalism. Yet, this is all subordinated to statist policies, and essentially serves to empower the world of clients and “relatives,” embedded in a patriarchal and tribal relational system, rather than to achieve any kind of effective economic performance. Essentially, he also regards this contradiction as the regime’s fundamental weakness, in that in the long term it is unable to raise working capital in the economy, thus it is hopelessly uncompetitive as opposed to Western capitalism based on the security of private property.

The third interpretative attempt, the “neocommunism” concept launched by the conservative liberal technocrat Lajos Bokros, is less embedded in an elaborated social-historical narrative, but instead based on a historical analogy in which Orbán’s hostility toward capitalism and markets and his zeal for nationalizing is nothing more than a restoration of the communist “command economy” system.²⁶ And while the previous two authors preferred to draw ideological parallels (Ungváry focused on fascism, while Tölgyessy highlighted Dollfuss’s Austrian Christian corporatism and Piłsudski’s antiparliamentary authoritarian regime), Bokros, in addition to the communist past, sought to call attention to contemporary post-communist parallels like Aliyev’s Azerbaijan and especially Putin’s Russia.

The different definitions and conceptual solutions obviously not only have scientific but political significance as well, **as every name given to the phenomenon in question is, at the same time, also an action plan.** As Ungváry put it: “The key to the Orbán regime’s downfall is the wearing away of its invisibility. This means that they should begin to call it what it is. Once it starts, it will be the beginning of the end. The countdown of the collapse of the regime.”

On the whole, the interpretive models developed in the Hungarian context contain five major types of argument. One is the analogical approach, which attempts to identify particularities of other existing regimes in the Hungarian context; the second is a specific variant of this, the historicist analogy, which projects the specificities of the past regimes onto the Hungarian situation; the third is concerned with political mentality approached from a stylistic direction (populism, patriarchalism); the fourth concentrates on economic policy and socio-economic aspects (corruption, directed capitalism, etc.); and finally, although it appears more in

the realm of political journalism, it is important to mention the psychological profile approach, which focuses on the traumas, proclivities, and behavioral patterns of the “leader.” These are, of course, only ideal types—in most cases, there is some combination of these elements.

Although there are valuable insights within each of these approaches, it is clear at the same time that they struggle with serious problems. “Successful” models of post-communist authoritarianism can be located mainly in the post-Soviet space, and their genealogies deviate considerably from the dynamics of Hungarian politics after 1989. This is because these Eastern European (such as Belarusian) and Central Asian regimes are essentially built upon the surviving structures of the communist regime, primarily the secret services and secondly the party apparatus. This has all developed in closed-off societies, within relatively closed national borders, usually with an economy dependent on the export of raw materials.

The problems with historical comparisons are again evident, in that despite the continuities maintained by the Orbán regime (primarily with the Tisza and Horthy eras, but paradoxically, increasingly also with the Kádár regime), it is clear that the basis for each of these regimes was Hungary’s specific international situation (the Habsburg imperial framework until 1918, the losing role and geopolitical isolation after 1919, and the Soviet occupation after 1956), and in this sense exaggerating any type of analogy will necessarily distort it. The other fundamental problem with an analogy-based interpretation is that it primarily intends to draw attention to similarities with past regimes that restricted freedoms or even committed mass murder, thus attempting to shock the reader on moral grounds. But at the same time, it is much less able to shed light on the differences between the two frameworks.

The main problem with the approaches based on mentality and style is that they do not truly offer explanations, as populism, or more precisely the solidarity of the “postpeasant” clans is obviously present in many Central and Eastern European political cultures, but an authoritarian regime that consciously rejects liberal democracy is far from having developed everywhere.

Approaches that emphasize economic mechanisms also have similar problems, since—as the previously mentioned article by Abby Innes also demonstrates—*state capture* and corruption permeating the political sphere is a very typical occurrence in the region, but it is not coupled everywhere with the same power structures and ideological features as in

Hungary. A further problem is that the issue of property relations is tackled for the most part only in the context of corruption or *state capture*, lacking an exploration of the mutual relations between the political system and the acquisition of an economic position.

Finally, it is also easy to see the inherently problematic nature of the psychological profile approach: for instance, although “high” Stalinism was clearly influenced in large part by the paranoid mentality of the leader, it would obviously be untenable to ascribe every feature of the regime to it, while disregarding the social habits of the operators and passive sufferers of the regime, the economic and social conditions, and the legitimizing frameworks of power. As Spinoza fittingly stated in his essay on the nature of power, authority is limited not only by the power of the ruler, but also by the abilities of the things within his power; thus the ruler can do many things, but is unable to “make this table eat grass” (which of course does not mean that a dictator would not be able to force the population to actually feed themselves with grass for a period of time...).

It seems evident that any type of interpretive proposal that intends to go beyond the one-sidedness of the others has to address the issue of how ideologically driven the Hungarian “System of National Cooperation” is: did the characteristics of the Hungarian regime after 2010 represent the realization of one type of social-political vision, or just the opposite, did the requirements of concentrating power create the need for a coherent ideological legitimacy? In my opinion, posing this as an “either-or” question itself distorts the issue, as historical experience shows that the spheres of power-acquisition techniques and ideology are always intertwined in authoritarian regimes, that is, the working of the regime over time produces the type of person who embeds his own life’s plan into the ideological framework of the regime, and even if the merger is not always complete, he still attempts to impose his interests while referencing these ideological tenets, weaving his own life, so to speak, into the fabric of the regime.

Although the openly anti-liberal discourse of the Tuskányos speech (held at a summer university seminar in Transylvania) in July 2014 was not anything new to those who know Hungarian politics well, it can be deduced from the vehemence of reactions both critical and favorable that it was an important milestone in the history of the Orbán regime. The use of the “illiberal democracy” concept introduced by Fareed Zakaria as a self-description plainly suggests that **the ideologists of this regime have decided to “market” their creation as a model, or even as an example to**

be followed and measured on a global scale. This was believed to such an extent that media sources close to the government earnestly hoped for a while that interpretations in the international media would themselves also begin to reflect a global turn toward antiliberalism. The propagandists of the regime, such as Mária Schmidt or András Lángi, talked about a conservative “quiet majority,” which had thus far not dared to reveal itself, victimized by the “cultural terror” of the generation of ‘68.

However, within the context of the Euro-Atlantic–Russian geopolitical conflict, even some American conservatives considered the speech as an attack on the Western political tradition. In the wake of the speech, Zakaria in his characteristic way saw that the time had come to describe the Orbán variant, which evokes the “illiberal democracy” model, as a subtype of a generic regime typology, which he dubbed “Putinism.”²⁷ Zakaria argues that the elements of Putinism are nationalism, religion, state capitalism, and a government-controlled media. In my opinion, the analysis above clearly shows that the main problem with such an interpretation is that it separates ideology from its operation and impetus, which implies that the model Hungary has been following for the past four years had been prepared prior to that. But in actuality, the demand for a concentration of power and the change in context have themselves shaped the ideological proposal, which of course does not mean that the ideology itself would not at any given moment also become self-propelling or a framework for indoctrination that, like all types of radical collectivism, formulates a new anthropology envisioning a “new man” and a communal (national) “palingnetic ultranationalism.”

Another theoretical challenge came from Jan-Werner Müller, whose book on populism questioned not only the descriptive accuracy but also the normative underpinnings of the model of “illiberal democracy.” Müller argues that, faced with the “hydra” of populism, it is self-defeating to allow its proponents to appropriate the democratic label, as populists eventually seek to undermine not only the liberal values but the very democratic mechanism. What they offer instead is performative acts of *ex post facto* popular legitimization, such as referenda and orchestrated popular rallies.²⁸

The nature of the regime, however, cannot be understood exclusively with regard to its ideological profile; it can only be done with the help of detailed interpretative work that equally highlights the societal and social dynamics that set the conditions of the regime’s limits, the power-acquiring techniques and political decisions that determine its character, the ideolog-

ical constructs that provide its self-legitimacy, all embedded into a regional and global comparative analysis. The “post-communist mafia state” model is an attempt to synthesize these aspects. **Such an interpretation, if it truly has the ability to grasp the logic of the regime, can have a liberating effect:** we can comprehend how it came about and why it works, and what its external and internal constraints and its self-contradictions are, those which, in all likelihood, will eventually cause it to disintegrate in the end.

NOTES

- ¹ See, e.g., Juan José Linz, *The Breakdown of Regimes: Crisis, Breakdown and Reequilibration* (Baltimore: Johns Hopkins University Press, 1978).
- ² A typical example of this approach is Nicos Mouzelis, “On the Concept of Populism: Populist and Clientelist Modes of Incorporation in Semiperipheral Polities,” *Politics & Society* 14 (1985): 329–48.
- ³ The paradigmatic “handbook” on regime changes: Guillermo O’Donnell, Philippe C. Schmitter, and Laurence Whitehead, eds., *Transitions from Authoritarian Rule: Comparative Perspectives* (Baltimore: Johns Hopkins University Press, 1986).
- ⁴ M. Steven Fish, *Democracy Derailed in Russia: The Failure of Open Politics* (Cambridge: Cambridge University Press, 2005).
- ⁵ David R. Cameron and Mitchell A. Orenstein, “Post-Soviet Authoritarianism: The Influence of Russia in Its ‘Near Abroad,’” *Post-Soviet Affairs* 28.1 (2012): 1–44.
- ⁶ Fareed Zakaria, “The Rise of Illiberal Democracy,” *Foreign Affairs* 76.6 (1997): 22–43.
- ⁷ David Collier and Steven Levitsky, “Democracy with Adjectives: Conceptual Innovation in Comparative Research,” *World Politics* 49.3 (1997): 430–51.
- ⁸ Thomas Carothers, “The End of the Transition Paradigm,” *Journal of Democracy* 13.1 (2002): 5–21.
- ⁹ Kim Lane Scheppele, “The Rule of Law and the Frankenstate: Why Governance Checklists Do Not Work,” *Governance* 26.4 (2013): 559–62.
- ¹⁰ Juan J. Linz, *Totalitarian and Authoritarian Regimes* (Boulder: Lynne Reiner, 2000).
- ¹¹ Paul Brooker, *Non-Democratic Regimes* (New York: Palgrave, 2000).
- ¹² See the chapter “Semi-Dictatorship and Semi-Democracy,” in Brooker, *Non-Democratic Regimes*, 226–55.
- ¹³ Steven Levitsky and Lucan A. Way, *Competitive Authoritarianism: Hybrid Regimes after the Cold War* (New York: Cambridge University Press, 2010).
- ¹⁴ Venelin I. Ganev, “Post-Accession Hooliganism: Democratic Governance in Bulgaria and Romania after 2007,” *East European Politics and Societies* 27.1 (2013): 26–44.
- ¹⁵ “Is East-Central Europe Backsliding?” With contributions by Jacques Rupnik, Martín Bútorá, Béla Greskovits, Ivan Krastev, Alina Mungiu-Pippidi, Krzysztof Jasiewicz and Vladimir Tismăneanu, *Journal of Democracy* 18.4 (2007).

- ¹⁶ Venelin I. Ganey, *Preying on the State: The Transformation of Bulgaria after 1989* (Ithaca: Cornell University Press, 2007).
- ¹⁷ Abby Innes, "The Political Economy of State Capture in Central Europe," *Journal of Common Market Studies* 52.1 (2013): 88–104.
- ¹⁸ Philip Levitz and Grigore Pop-Eleches, "Why No Backsliding? The European Union's Impact on Democracy and Governance before and after Accession," *Comparative Political Studies* 43.4 (2010): 457–85.
- ¹⁹ Jan-Werner Müller, *Wo Europa endet. Ungarn, Brüssel und das Schicksal der liberalen Demokratie* (Berlin: Suhrkamp, 2013), and "Eastern Europe Goes South: Disappearing Democracy in the EU's Newest Members," *Foreign Affairs* 93.2 (2014).
- ²⁰ Valerie Bunce, Kathryn Stoner-Weiss, and Michael McFaul, eds., *Democracy and Authoritarianism in the Postcommunist World* (Cambridge: Cambridge University Press, 2009).
- ²¹ Marian Leško, *Mečiar és a mečiarizmus* (Pozsony [Bratislava]: Kalligram/Budapest: Balassi Kiadó, 1998).
- ²² Danijela Dolenec, *Democratic Institutions and Authoritarian Rule in Southeast Europe* (Colchester: ECPR Press, 2013).
- ²³ Dragoş Dragoman, "Post-Accession Backsliding: Non-Ideological Populism and Democratic Setbacks in Romania," *South-East European Journal of Political Science* 1.3 (2013): 27–46.
- ²⁴ Rudolf Ungváry, "A láthatatlan valóság—A mutáció mai állapota" [Invisible reality—The current state of mutation], *Mozgó világ*, February 2014, <http://www.mozgovilag.hu/ungvary-rudolf-a-lathatatlan-valosag-2/>.
- ²⁵ Péter Tölgyessy, "Irányított nemzeti kapitalizmus" [Guided national capitalism], *Komment.hu*, 19 June 2013, <http://www.komment.hu/tartalom/20130618-az-orbanrendszer-termeszete-2.html>.
- ²⁶ Lajos Bokros, "NER: államelvű kivagyiság" *VS.hu*, 9 April 2014, <http://vs.hu/kozelet/osszes/ner-allamelvu-kivagyisag-0409#!s0>.
- ²⁷ Fareed Zakaria, "The Rise of Putinism," *Washington Post*, 31 July 2014, http://www.washingtonpost.com/opinions/fareed-zakaria-the-rise-of-putinism/2014/07/31/2c9711d6-18e7-11e4-9e3b-7f2f110c6265_story.html.
- ²⁸ Jan-Werner Müller, *Was ist Populismus?* (Berlin: Suhrkamp, 2016).

György Csepeli

The Ideological Patchwork of the Mafia State

The legal infrastructure forming the bedrock of the mafia state could not have emerged in Hungary without the sweeping success of the single political force at the parliamentary elections of 11 April and 25 April 2010. The first round of the elections drew a turnout of 64%, the second a turnout of 47%, with the Fidesz–KDNP coalition securing 263 seats in parliament. This 68% turnout corresponds to a majority in legislation of over two-thirds. The opposition was divided and weak in the legislature. The complicated electoral system makes it difficult to gauge the proportion of the voting-age population that the 68% winning share represents. It is clear that this 68% of the voting-age population, or even of the citizens that cast a vote, is far more the ratio of those who actually voted for the victorious party, whether we look at individual constituencies or territorial or national lists. The parliamentary majority was only a majority in the Leninist sense; in reality, it was the expression of a minority's will.

However, there is no doubt that the purported majority in the Leninist sense was achieved legitimately under the electoral rules valid in 2010. In light of the events that later transpired, it is clear that the securing of the majority was preceded by thorough preparation aimed at gauging the fidelity of candidates. The task was to make sure that nobody within the anticipated parliamentary majority would be willing or suitable for showing independent will.

The municipal elections held in the autumn of 2014 saw a turnout of less than 50%. Voters in the capital elected the candidates supported by the governing parties. Likewise, the ruling party's representatives secured

almost all seats at the nineteen county-level general meetings. Far-right parties outstripping governing parties on the right accounted for the second-most popular group of these general meetings. Due to the tweaked electoral system, the capital's general meeting does not reflect voter intentions and is dominated by the ruling party's representatives. At the same time, the vote for the mayor of Budapest showed that the socialist-liberal candidate Lajos Bokros managed to win 36% of the votes despite a rather poorly orchestrated campaign. The candidate of the far-right Jobbik party secured 7.1% of votes, making him second runner up.

A repeat elections was held in one Budapest constituency in November 2014. The leftist candidate claimed an easy victory in the traditionally left-leaning district. However, the situation of the government parties remained essentially unchanged in 2014.

The core concept of the electoral system overhaul posited that once a political machine was created in the legislature, all hurdles for the party operating it would be removed, giving it free rein. In addition, as this political machine operated in parliament, everything passing through it would be legitimate and lawful.

Since the outset, the two-thirds majority that settled into parliament in 2010 has been set on eliminating, neutralizing, and defeating any opponents. The sole remaining restriction was the international environment, clearly far less receptive to the expectations informing the political machine, but reacting sluggishly and timidly, unable to grasp the radical novelty of the situation.

A "central power field" governed by this single will emerged, euphemistically coined the System of National Cooperation (NER),¹ and everything that was not part of it was fated to wilt, to perish, to be marginalized. Those excluded from the System of National Cooperation took a long time to realize that the parliament elected in 2010 was unlike any other parliament elected between 1990 and 2010.

Historical Background of the Parliamentary "Political Machine" in Hungary

Looking at the past, historical and literary memory recalls Kálmán Tisza's "Mameluke political machine" during **Hungary under the Dual Monarchy**. Gyula Szekfű tellingly wrote of Kálmán Tisza that

he handed over the parliamentary machine to noblemen from Bihar county, who were utterly loyal to him in all circumstances, while harboring mistrust toward independent and talented men, squeezing them out not only from influential positions, but also his party. The same type of organization is unfolding across counties, districts, agencies and every niche of economic and social life. Individuals and interests dependent on the government all around, their organized cooperation giving the impression of national sympathy for the compromise of 1867, that the 1867 parliamentary majority represented the national majority.²

Subsequent prime ministers obediently adhered to Kálmán Tisza's model. They included his son, István Tisza, although the Liberal Party was replaced by the National Party of Work after its dissolution. This model, however, is based on voting power restricted in several senses, and a combination of the "middle-class gentry" and the swelling state-dependent gentry.³

Hungarian parliamentarism was also characterized by the predominance of a "central power field" **between the two World Wars**. The staunch overwhelming minority, using András Gerő's expression, in the Unity Party (Egységes Párt) and its successor operated the parliamentary political machine in the context of a restricted multiparty system.⁴ Even so, the mid-1930s saw the rise of the far-right and racist forces, and as the electorate grew and secret ballot voting was adopted, the regime resting on the foundations of a national Christian middle class was "forced" to resort to illicit tactics or to legitimize its legally restrictive measures through parliament.

The end of World War II also failed to instill democracy in Hungary. Only two free elections were held after the end of the war, in 1945 and 1947, and the latter was only partially free. No free elections were held during the period stretching from 1947 to 1990, with parliament serving as the playground of the "central power field" constituted by the Communist Party.

Although these examples show that parliament was transformed into the political machine of the political force wielding the monopoly for a protracted period on a historical scale, these "political machines" operating in parliament nevertheless featured diverging techniques of ruling, elite forming, and binding. The outward similarity of obedient parliamentary majorities stems not from the similarity of the various systems, but from the single trait characterizing each of them: the concentration of power.

Between 1990 and 2010 free elections were held every four years, and the pattern of alternating political power characteristic of western democ-

racies seemed to set in, where the winning political power does not restrict the political conditions enabling its replacement by society. Since 2010, however, there has been an ongoing attempt to eradicate this model of liberal democracy in the context of a “constitutional coup d’état.”⁵

“Revolution in the Polling Booths”: “Constitutional Coup d’État”

The socialist-liberal coalition that had been in government for eight years was defeated in 2010 and the opposition gained power with a two-thirds majority in parliament. According to a rather specific interpretation of the constitution still in effect at the time, this gave them essentially unlimited power. In his observations of the operating disorders of Hungarian democracy, Zoltán Fleck had already identified prior to 2010 that the political system that emerged after 1990 was vulnerable and perilously unprotected against an attempted coup overturning the rule of law and eradicating checks and balances, with support derived from the majority principle. The antidemocratic turn was all the more likely because the democratic political regime was unable to erase from most citizens’ memory the 1989–90 political changeover’s failure to give them the welfare and security they had hoped for. Democracy was devoured by its own children in 2010.⁶

It was only a matter of time before a political endeavor riding the frustration stemming from the political changeover would emerge, taking advantage of the mistakes made by the incumbent political power to prepare and launch a coup to end once and for all the “two tumultuous decades” that followed 1989, to quote Viktor Orbán. It is no coincidence that the winners referred to the events as the “revolution in the polling booths.” The separation of powers characterizing Western liberal democracies and the era of the sector-neutral free market economy ended with the 2010 elections. The new era now unfolding, if it has longevity, will not merely be a variant on the classic Western model, its differences more than just isolated deviations from the values of this world, but a system fundamentally denying it—a unique model warranting a unique name and definition.

Despite a four-year period during the two decades that followed the political changeover, between 1998 and 2002, when the party that later won the 2010 elections was in power, its defeat in 2002 convinced the vanquished party to never again leave behind a system in which it could lose.

They may have recalled the political theology teachings about Carl Schmitt dispensed at the Bibó dormitory where Fidesz was born. Carl Schmitt argues that the state cannot be a slave to legal norms, as the entity at the helm of the state defines what the law is or is not. The holder of supreme political power is the sole entity who lives in Nothingness, where no rules can be used against it. Sovereign is he who restores order amid chaos. He must create a normal situation, and he is sovereign who definitely decides whether this normal situation actually exists. As Carl Schmitt states, "Sovereign is he who decides on the exception."⁷

The sovereign balancing on the edge of chaos and order carries a great burden, placing himself in the world outside the realm of order while establishing order himself. The key tenet of a democratic political system is taking this huge burden off the sovereign's shoulders to the greatest extent possible. The separation of powers, the system of checks and balances, publicity, civil society and the autonomy of certain social subsystems limit the opportunities afforded by a decision-making monopoly.

The creation, possession, and operation of this parliamentary political machine rapidly led to the institutionalization of the "central power field," establishing the System of National Cooperation, which quickly made it clear that the ruling power, wielding the decision-making monopoly, had no need for the law. It also turned out that the sovereign balancing on the edge of chaos and order is isolated, becomes less and less capable of tackling the reality outside its own world in the absence of control or restraint. Chaos thus grows, instead of diminishing.

The supreme political power would not be what it is if it did not have the intention of getting rid of the rational constraints that are alien to its essence, of all normative binds and if it did not want to gain absolute power in the literal sense. This phenomenon characterized all places where a tightly organized minority carried out a revolution, either violent or in polling booths, occupying the state and imposing its will on society.

The Place of the Mafia State in the Phenomenology of Autocratic Regimes

Hungarian political lingo has a whole host of terms referring to the System of National Cooperation. The chosen designation bears relevance because, as Bálint Magyar explains in an interview with Eszter Rádai for the cultural

monthly *Mozgó Világ*, “If something has no name, it cannot be pointed at, and does not exist.”⁸ All of the designations in use allude to centralization, authoritarianism, nationalization, and the uprooting of the rule of law.

In his book published not long ago about Fidesz, Ferenc Pataki presents an excellent analysis.⁹ In a recently published interview he said that the System of National Cooperation is an authoritarian regime in democratic form, nominally still meeting the requirements of legality, but allowing every act, even arbitrariness, to be disguised as lawfulness.¹⁰ In our article written with István Murányi we dubbed the legal and political mechanism that emerged in Hungary after 2010 as “national absolutism.”¹¹ Gábor Gadó argues that contemporaries characterize the social structure that emerged as a “postmodern corporative state.”¹² Fareed Zakaria uses the term “illiberal democracy” to denote political systems ruled by a political power elected by the majority, but lacking the normative constraints capable of limiting absolute sovereignty stemming from a decision-making monopoly.¹³ These designations, however, allude to the large number of autocracies limiting freedom and only refer to isolated elements of the current power in Hungary.

The designation “mafia state” preserves the features of the System of National Cooperation as designated by political scientists and adds a new key characteristic lending a comprehensive interpretation to this post-communist model. This key characteristic is the generic role of the “family”—a typical trait of the mafia. Bálint Magyar had already come up with a suggestive play of words in 2001—the “organized underworld”—to refer to the Fidesz regime established in 1998–2002, still far removed at the time from the system created in 2010 in possession of the two-thirds majority. The “organized underworld” that gained a foothold from 2010 eradicated the “anarchistic universe run by oligarchs and imposed a system of dependency,” centralizing the expropriation of wealth obtained through state legitimization. This is “no longer a classical mundane example of the underworld, as at this ‘level of development’ corruption moves from the realm of deviance to be concealed into a system elevated to the ranks of state politics. It is no longer the oligarchs that control the state, but a political endeavor that creates for itself ‘the right to appoint oligarchs.’”¹⁴

Ferenc Pataki considers the term “mafia state” fitting to describe Fidesz’s exercise of power, but argues that it has become empty “after having long been adopted by the ruling party in its own rhetoric in an effort to stigmatize the opposition, condemning the actions of the ‘mafia left’ at every given opportunity.”¹⁵ In my view, however, the political endeavor that

came to power in 2010 has adopted the word “mafia” in its own vocabulary precisely because it feels hit in a sensitive area, a key explanatory point and—in a familiar political communication maneuver—has turned the semantic gun on its holder, hitting back at critics with the seized expression. The counterattack, however, does not conceal the fact that the concurrent use of the terms “mafia” and “state” in the expression goes far beyond mere semantic aggression not unfamiliar to political rhetoric. The “mafia left” or the “mafia right” are terms used to deride the targeted political camp and serve no other purpose.

By contrast, “mafia state” is something entirely different. We have already discussed that the definitive and total separation of decisions from legal and moral norms and absolute decisions, in the literal sense of the word, have led to the exceptional state becoming the norm, and chaos becoming order. The novelty, expressed by the term “mafia state” is that the rule and elite of the system built on absolute decisions rests on “strong ties.”

Strong and Weak Ties

The strength of ties is defined by actual blood relationships or the ties of the “mafia family” dictated by business interests, just like in the mafia. The circle of families keeps expanding through kinship and loyalty. The godfather is at the helm of this network of strong ties and commands unconditional obedience. In exchange, he provides welfare and unconditional income. The equivalent of the underworld godfather outside the purview of the law in the mafia state is the sovereign, whose word is the law. Key positions in the mafia state are held by “mafia family members,” components of the business and power network who by virtue of obedience derive their livelihood from it, and who can expect to be crushed by it if they disobey.

The essence of the mafia state lies in the enrichment of the network based on strong ties created through the concentration of power. Wielding the decision-making monopoly, the godfather is free to do whatever he wants because he has the power to do so.

Conversely, modern society, as revealed in Granovetter’s work, is based on weak ties, the abundance of which drive development and adaptation across society as a whole.¹⁶ The solidity of societies bound by strong ties is only apparent as a fall of the Godfather brings down the entire system along with it.

In a mafia state, however, not everyone is a link in the chain. Some people are included in the family, while others are left out. The in-crowd is closely bound by hopes of easy money, greed, and obedience to the godfather. The system expands in concentric circles, but its growth is limited by the amount of wealth available.

In modern Hungary, ever since 1867, apart from the period between 1990 and 2010 the politico-economic systems that have emerged have always been based on a small number of strong ties, just bound by different glue, ranging from belonging to a feudal gentry to the Communist Party nomenclature. In the post-communist mafia state that emerged after 2010 the power of primary ties stemmed from the model of the “adopted family,” proffering privileges of both power and wealth.

Without a large base of weak ties, every system capitulated sooner or later, to give way to a similar system, just as unviable and uncompetitive. Each of these systems had a guiding ideology that enabled the decision-making monopoly holder to definitively decide what the public interest was at the time from the alternative opportunities available, in other words, gave them a monopoly in defining public interest. All of these decisions proved fatal in the long run. World war defeat, total economic and social collapse, moral failure, and a sea of suffering ensued. The Hungary of Kálmán Tisza and István Tisza was buried along with the remnants of the Austro-Hungarian Monarchy. Horthy’s “truncated Hungary” was destroyed by the unrealistic efforts to reinstate a “Greater Hungary” that never really existed. János Kádár’s Hungary drowned in the impossible project of communism.

Three Functions of the “National” Package

The mafia state’s special attribute is its lack of a clear ideology of its own, merely using ideological set phrases according to its current agenda. The godfather’s objectives have no transcendence. The loyalty of the people bought by the ideological regimes of the past came at the price of blood. The mafia state makes do with money, land, and enterprises without sullying its hands. This indeed is a new phenomenon in Hungary.

The use of the term “national” at every turn seems to contradict the claim that the mafia state lacks an ideology. A Google Trends analysis reveals that the number of searches in Hungarian for expressions con-

taining the word “national” is consistently high. However, the excessive use of the term “national” is not aimed primarily at the adopted family or members of the estates and orders, but at **those who are not part of the corrupt food chain, but believe and want to believe the ruling power.** They are the ones ensuring the popular legitimization of the ruling power in the context of parliamentary elections, governed by rules molded to the needs of the ruling power.

The “national” tag is particularly powerful for affecting sentiments in Hungary, as—using the expression of Miklós Szabó—it refers to a program rather than a status.¹⁷ The failed revolution of 1848–49 and the fight for freedom sealed the national program with blood, which has borne the conflict of desirability and probability from the outset. The program aimed at creating an independent, autonomous Hungary covering the entire Carpathian Basin was highly appealing for Hungarians, but as proven time and time again, the probability of its implementation was always close to zero.

In Hungary the “national” tag alludes to the mysterious object of desire and wields huge social-psychological mobilizing potential despite all the negative historical experiences, recalling the enduringly positive memory of national “freedom fighters.”

However, the ubiquitous use of the term “national” in Hungary is far from being an innocent semantic game, allowing the remembrance of a historic past and the resulting mobilization of voters with no risk. In the past, the term “national” has afforded the state the right to decide, through legal avenues, who was and who was not a full citizen. The Fundamental Law adopted in 2011 openly assumed the historic connotation of the term “national,” granting citizenship and thus voting power to anyone who was “Hungarian.” The nation has no physical boundaries as opposed to the country or the state. Metaphysically speaking, the nation is a will that creates its own object.

The two buzzwords of the mafia state are “Hungarian” and “national,” which its direct beneficiaries use to create a symbolic blanket of benefits for those who get none of the wealth distributed by the godfather. These two words constitute the real force of the mafia state. Its users adroitly noticed that globalization had fueled worldwide demand for emotional and conceptual services offering an identity.

The demand for identity within Hungarian society was exacerbated not only by the uncertainties stemming from globalization. Although the political changeover was followed by the establishment of democratic rule

of law for the first time in Hungary's history, the social-psychological infrastructure bolstering this democratic rule of law failed to emerge. Although the constitution of this new regime that rose from state socialism perfectly satisfied the criteria of the rule of law, its clumsy wording prevented it from becoming the catalyst for a new democratic national identity.¹⁸ The constitution adopted in 1989 and subsequently amended several times carried the stigma of the Constitution of 1949 in its title, and its difficult wording failed to inspire democratic patriotism.

Growing demand for identity in Hungary was also driven by the aforementioned special historical circumstances, which were unable to fulfill the elementary functions of national identity. National and other collective identity is only able to create certainty amid uncertainty if it inspires peremptory positive feelings, forming the core of pride and joy and surpassing comparison to others within the soul, yearning for an answer to the question "Who am I?"¹⁹ Due to its traumatic past, Hungarian national identity can only answer at a price of substantial repression and concealment.

To achieve its psychological legitimization, the mafia state dons the garb of nationalism, recycling its original, bloodied pieces and using them as marketing tools. The mafia state's hand-me-down clothes were initially worn by the cultural nation. The most prominent example of this recycling is the openly illiberal preamble to the Fundamental Law adopted in 2011 and replacing the Constitution of 1989, which addresses the "Hungarian nation" while imploring God, without even attempting to define who it is addressing. This could theoretically be a sign of openness, a testament to an accepting notion of nation. However, allusions to Christianity as the "savior of the nation" contradict this accepting interpretation. The authors of the preamble clearly did not know or chose to ignore that the pairing of the words "national" and "Christian" harken back to a period of Hungarian history marked by disenfranchisement.

The national legitimization of the mafia state hinges upon a century-old Hungarian self-imposed stereotype holding that Hungarians are alone in Europe. He who is alone is afraid, but does not confess his fear. He compulsively tries to prove that he is not afraid, that he is proud of himself. As the preamble to the Fundamental Law, the National Avowal, states:

We are proud of our forebears who fought for the survival, freedom, and independence of our country. We are proud of the outstanding intellectual achievements of the Hungarian people. We are proud that

our people have over the centuries defended Europe in a series of struggles and enriched Europe's common values with its talent and diligence.

These sentences communicate a strong desire to prove oneself, a desire that István Bibó has accurately diagnosed among all small Eastern European peoples:

The deformation of societal character was followed by the deformation of political character, and there came into being a hysterical state of mind in which there is no healthy balance among what is real, possible, and desirable. The disorienting psychological symptoms of the inability to keep a healthy balance between desires and reality are clearly evident in the self-contradictory behavior of the peoples of this region: Exaggerated self-documentation and inner security, oversized national vanity and sudden self-humiliation, the constant mentioning of achievements, moral demands and moral irresponsibility. Most of these nations discuss, over and over, former, or potential, great power positions and at the same time apply to themselves the "little nation" designation with dejection that would be incomprehensible to a Dutchman or to a Dane. If one or another of their dreams concerning territories, power, or prestige becomes reality for a while, no one can point out the shakiness and insufficiency of such situations without being loudly proclaimed a traitor, and the nations are even less likely to deprive themselves of their unrealized dreams.²⁰

The unbridled and unlimited use of the term "national" enables those excluded from the group of the mafia state's direct beneficiaries to cling to their unfulfilled dreams, which history has proven time and time again to be elusive.

Secondhand nationalist ideology conceals its original irredentism and anti-Semitism, but more openly exhibits antidemocratic and xenophobic traits and resentment. Its extremist rhetoric reveals the entire "Turanian jungle" that sees a mythical, never-existing East as the key to redemption.²¹

No matter how hard it tries, the mafia state is unable to homogenize the completeness of those who do not reap direct rewards. Despite having publicly funded "national" public and private media, despite occupying schools, universities, academies, and cultural forums, the "national" message only addresses a small slice of society.

The objective, consistent with the autocratic logic, is to depict the majority as a minority. Various marginalization, criminalization, and stigmatization measures are used by the mafia state to segment the majority that is deaf and blind to the “national” rhetoric. Each of these segments is then branded as being “different,” along with the alarming stigma associated with it. This creates groups marginalized from national society, including the poor, the Roma, the homeless, homosexuals, liberals, rootless cosmopolitans, and groups dubbed as deviant for the most diverse reasons, excluded from the System of National Cooperation because they fall outside the metaphysical boundaries covered by the term “national.” This delineation is essential for the “national” camp. Without this delineation, the contrived national identity could not be maintained. “National” is the negative image of the nonnational Other.

In the strict interpretation of the word “national” shared by the beneficiaries of the mafia state, it lacks all metaphysical and psychological nuances. As illustrated by “National Tobacco Shops,” the term “national” denotes the terrain of legitimate and state-endorsed profiteering for members of the family. **Anything labeled as “national” in Hungary’s economy is controlled by the mafia and is open for being claimed by the adoptive family,** while all that is not “national” is destined to perish, be eliminated, or swallowed up.

Closing the circle, the question arises how well a mafia state can thrive in the middle of Europe in the twenty-first century, **a state where the taxable boundaries of the organized “overworld” of the mafia state are the nation itself?** Is a political endeavor professionally applying mafia methods capable of growing roots on Hungarian fallow land? Can a future be built on unattainable dreams?

I believe that the answer is clearly no. The only question is the time horizon bringing the mafia state’s fall.

NOTES

- ¹ At a speech given in Kötcsé in the fall of 2009, the year preceding the elections, Viktor Orbán expressed with brutal honesty his desire to renew the elite and drive a regime changeover, in the context of which he would not tolerate any debate or pluralism. The keyword of the speech was the “central power field” created to homogenize Hungarian society on the level of both thought and emotion. Orbán had crafted the program as a prime minister–designate and has

implemented it since his appointment to the post in 2010. In his speech, Orbán said: “Until very recently, this dual power field has characterized Hungarian politics. Now, however, this duality seems to be disappearing and a central political power field emerging, a consequence of the rise of the right and our own ascent. Whether this political power field will remain this way after the elections remains to be seen, but I am hopeful that it does. What is certain is that there is a real possibility for Hungarian politics not to be defined by the dual power field in the upcoming fifteen to twenty years, one that only generates ongoing value debates and a host of divisive, petty and unnecessary social consequences. Instead, a single large ruling party could emerge, a central political power field capable of defining national matters with its inherent naturalness, instead of amid never-ending polemic” (*Nagyítás*, 18 February 2010).

- ² Gyula Szekfű, *Három nemzedék és ami utána következik* [Three generations and their aftermath] (Budapest: ÁKV-Maecenas, 1989 [1934]), 231.
- ³ The National Party of Work (Nemzeti Munkapárt) was formed on 19 February 1910 from the merger of the former National Club (Nemzeti Társaskör), comprising the majority of members of the Liberal Party and the National Constitution Party (Országos Alkotmánypárt). The party was created specifically for the 2010 elections, its members issued from the former Liberal Party (Szabadelvű Párt) that won every election between 1875 and 1905. The National Party of Work did not disappoint its members, gaining 62% of seats in parliament in 1910 and bringing Hungary into the war, and then total collapse, with a steady hand.
- ⁴ András Gerő, 1997.
- ⁵ György Csepeli, “The Rise of the Mafia State,” *Global Dialogue* 4.1 (2014), <http://isa-global-dialogue.net/volume-4-issue-1/>.
- ⁶ György Csepeli, Review of Zoltán Fleck, *Változások és változtatlanságok—A magyar jogrendszer a rendszerváltozás után* [Continuity and discontinuity: The Hungarian legal system after the change of the system], *AHEA: E-journal* 6 (2013).
- ⁷ Carl Schmitt, *Political Theology: Four Chapters on the Concept of Sovereignty*, trans. George Schwab (Cambridge, MA: MIT Press, 1985), 5.
- ⁸ Eszter Rádai, “Ki játszik ilyet, majd megmondom, milyet’: Interjú Magyar Bálinttal” [“Who will play I will tell”: Interview with Bálint Magyar], *Mozgó Világ* 39.5 (2013): 27.
- ⁹ Ferenc Pataki, *Hosszú menetelés—A Fidesz jelenség* [Long march: The phenomenology of Fidesz] (Budapest: Kossuth, 2013).
- ¹⁰ Ernő Kardos, “A vezér kézben tart mindent.” *Élet és Irodalom* 30.3 (2013).
- ¹¹ György Csepeli and István Murányi, “New Authoritarianism in Hungary at the Beginning of the 21st Century,” *Central European Political Science Review* 13.50 (2012): 65–95.
- ¹² Gábor Gadó, 2013.
- ¹³ Fareed Zakaria, “The Rise of Illiberal Democracy,” *Foreign Affairs* 76.6 (1997): 22–43.
- ¹⁴ Eszter Rádai, “A posztkommunista maffiaállam’: Interjú Magyar Bálinttal” [“The post-communist mafia state”: Interview with Bálint Magyar], *Élet és Irodalom* 24 (2013): 5.

- ¹⁵ Kardos, "A vezér kézben tart mindent."
- ¹⁶ Mark S. Granovetter, "The Strength of the Weak Ties," *American Journal of Sociology* 78.6 (1973): 1360–80.
- ¹⁷ Miklós Szabó, "Programideológiák és állapotideológiák" [Ideologies of program and state] *Világosság* 28.6 (1978): 370–77.
- ¹⁸ György Csepeli, 2009.
- ¹⁹ Henri Tajfel, *Social Identity and Intergroup Behavior* (Cambridge: Cambridge University Press, 1982).
- ²⁰ István Bibó, "The Distress of East European Small States," in *Democracy, Revolution, Self-determination: Selected Writings*, ed. Károly Nagy, trans. András Boros-Kazai (Boulder: Social Science Monographs/Highland Lakes: Atlantic Research Publications, 1991), 13–86.
- ²¹ Szekfű, *Három nemzedék és ami utána következik*, 482.

Imre Vörös

A “Constitutional” Coup in Hungary between 2010–2014

On Some Aspects of the Exclusive Systemic Exercise of State Power with Regard to Constitutional Law, International Law, and European Law

Foreword

Formally, Hungary’s new Constitution of 1989 was a modification of Law XX/1949 rather than a new law enacted by the parliament of the time, that is, it was not an entity voted for in a free election. This constitution established the civil democratic system of public law and regulated the democratic functioning of the state organization and fundamental human rights in a comprehensive and satisfactory manner. However, its legitimacy could have subsequently been challenged, as it had not been enacted by a freely elected parliament. In its statement issued on 30 March 1989, the Opposition Round Table of 1989 made it clear that they wished to discuss the precondition of a democratic transition, namely, that of free elections, with the representatives of the single-party state. The opposition explicitly ruled out a discussion of the constitution and the state structures of public law it contained, considering it to be a task of the parliament to be elected. The new text thus defined itself as having only temporary validity. The Preamble of Law XXXI/1989 modifying Law XX/1949, that is, the very first sentence of the new constitution, reads as follows: “In order to facilitate a peaceful political transition to a constitutional state instituting a multiparty system, parliamentary democracy and a social market economy—*until our country’s new constitution is adopted* [my emphasis]—the National Assembly of the Republic of Hungary hereby establishes the text of the Republic of Hungary’s constitution in the following manner.” The task of writing and enacting the definitive version of the constitution was thus left to the new parliament. But as happens so often in history, the realities of the present overrode future plans.

The parliament convening after the free elections was faced with the necessity of immediate action, primarily due to the large number of laws requiring the approval of two-thirds of the lawmakers, which became incorporated into the Constitution of 1989. (These laws later became known as the infamous “two-thirds laws.”) Such a large quantity of two-thirds laws was an effective check and balance, however, it practically barred the government formed in the wake of free elections from governing; parliamentary governance was by and large incapacitated. In the spring of 1990, the parliament reduced the number of two-thirds laws, as a result of which the pressure to rapidly build a new constitution lifted. Thus, a temporary solution turned permanent.

Whereas time pressure, the circumstances, and the historical period in which it was produced all left their traces on the text of the Constitution of 1989, the Constitutional Court (CC), taking up its work in 1990, excelled in applying the laws and interpreting the constitution to such a degree that it withstood the test of time and stayed in effect for twenty years.

A new government was formed in 2010, launching, as it later turned out, a well-planned smear campaign against the Constitution of 1989. The emergent public discourse shifted toward referencing it as “the communist constitution,” and this gave rise to the outline of a new constitution appearing alongside with the skeleton of a new public legislative system whose purpose and contents were hidden from the general public. Legal academics, the public, professional organizations, and experts were excluded from the drafting of the new constitution. Although certain organizations received formal invitation to participate, their suggestions and ideas did not enter into consideration. Whereas the new Fundamental Law, enacted in the spring of 2011, largely readopted the solutions from the previous constitution, it introduced a number of innovations foreshadowing the possibility that the new presiding forces would not shy away from reinterpreting fundamental constitutional values and principles such as the rule of law.

There was no genuine need to produce a new constitution since the one of 1989, complemented as it was by the interpretative practice of the CC, adequately fulfilled its function. The government’s goal was to lay down the foundations of a new centralized system of public law—suffused with an eclectic brand of nationalist ideology and bent to limit basic rights—as well as define its chief tenets. The process and its product, the contents of the new Fundamental Law, were harshly criticized by the legal profession

and the Venice Commission, the Council of Europe’s advisory body on constitutional matters.¹

As a positive innovation, the Fundamental Law finally regulated the permissible level of government debt, introducing a “debt brake” that mandated debt reduction (Articles 36–37). Another positive feature was the adoption of the so-called “fundamental rights test” developed through the Constitutional Court’s practice entailing the requirement that a fundamental right can only be restricted in the interest of effectively exercising another fundamental right or protecting a constitutional value (Article I). However, all of these features barely affected the fact that the new text set an essentially new direction for the development of Hungarian constitutional law.

Let me cite a few examples of the adverse features:

- The independence of local governments and, accordingly, their right to own property were removed from the fundamental rights, thus local governance, effectively, was abolished.
- The right to social welfare was eliminated.
- Every Hungarian citizen’s right to turn to the Constitutional Court (*actio popularis*) was eliminated. Justifiably criticized for its lack of limitations, *actio popularis* ought to have been modified rather than erased.
- The three-member Budget Council (with a quorum of two) gained the right to veto the central budget. Taken together with the powers of the President of the Republic, this implies the latter’s right to dissolve the parliament in the absence of an approved central budget, even shortly after an election.
- The Constitutional Court’s oversight of budgetary and tax laws was abolished only to be “revived” if the government debt drops below 50% of the gross national product. Even in case the above-mentioned “debt brake” is observed, such a development would likely to occur in no sooner than approximately sixty years.
- The Supreme Court was eliminated, which served as an excuse to remove its president from office, even though the Curia was declared to be the Supreme Court’s legal successor. The consequence of this move was the recent verdict of the European Court of Human Rights in Strasbourg agreeing with the ex-president, who filed a grievance with them. It claimed that the president’s removal and the legal act applied to justify it were in violation of the European Convention on Human Rights.²

- The courts' system of self-governance, having received a great deal of legitimate criticism earlier, was dissolved and replaced by the National Office for the Judiciary (Országos Bírószági Hivatal). Its president holds "*jus gladii*" over the judges, in this manner guaranteeing the co-optation of the courts.
- The president of the National Office for the Judiciary was granted the right to transfer a case from the legally designated court to another one with no obligation to justify the decision or possibility of seeking legal remedy. This move amounts to the violation of the courts' independence and citizens' constitutional right to an honest and impartial court hearing.
- The Preamble of the Fundamental Law describes the evolution over recent decades of Hungarian constitutional law and the state, in a biased, confusing, nostalgically colored, and ideologically loaded language. In doing so, it inserts the entirely opaque and ill-defined category of "historical constitution" which, because of its opacity, may be mobilized to refer to anything and everything. It is moreover demanded that the Fundamental Law should be interpreted in accordance with the Preamble's text (Article R). Consequently, the Constitutional Court is obliged to use the Preamble's every provision as a yardstick.

Overall, the balance of the assessments of the new constitution in the legal literature³ has been extremely disapproving. Critics suggest that, instead of effecting amendments necessary for a consolidation, the new constitution, building on a romantic construction of the past, is ill-adapted to set limits on the state's power—a crucial function of any constitution. In reality, the Fundamental Law's real purpose was to cement the power of Fidesz, the only party along with the Christian Democratic People's Party to vote for it in the parliament.

It must be noted that the scope of this series of legislative activity **far exceeded the Fundamental Law** and, through a multitude of laws it transformed, for instance, the legal environment regulating the media via establishing the government-controlled National Media and Infocommunications Authority with a president firmly seated for a nine-year term.

Not only does this ensure the government's sway over the media but it interferes with the media's role as "watchdog" vis-à-vis the workings of its various branches. The reason is that in modern party-based parliamen-

tary systems the traditional division of powers whereby legislation delimits executive (the government) power tends to dwindle as the strongest party forms the government.

Law CCIII/2011, motioned by a representative of the ruling party and rapidly approved by the parliament—thereby circumventing a wide-ranging and time-consuming discussion within civil society, the parliament, and the state apparatus—**ushered in a new electoral system**. During the April 2014 elections, the system proved incapable of meeting the standards even of Article 2 of the Fundamental Law (“equal suffrage”). It codified an extremely disproportionate electoral system, which inevitably produced the predicted results, namely, discrimination favoring voters *without* a registered domestic address as opposed to those having it. (The former had the opportunity to vote by mail and their electoral roll was not public!) Voter representation was further distorted by the fact that votes for the winners on the ballot of individual candidates came to be counted repeatedly to determine the winners from the other, the national (party-delegated) runners (“award premium”). The combined effect of these two features accounted for the fact that Fidesz secured two-thirds of the seats in parliament, despite losing approximately one-fourth of its constituents. Not coincidentally, the section on electoral law in the Fundamental Law does not even feature the criterion of proportionality, typically considered essential to it. Yet another hurdle of conducting free elections was the setting of specific conditions—inscribed in the Fundamental Law (!)—for campaign ads to broadcast free of charge on the media (Article IX, paragraph 3).⁴

It is not the aim or topic of this chapter to evaluate the Fundamental Law and the host of related legal acts. Instead, I wish to examine how the result of the constitution-drafting process scrutinized by the legal profession, the public, and international organizations has become a plaything in day-to-day politics. In the focus of the present investigation lies **the effect of state power—reaching its peak with the Fourth Amendment of the Fundamental Law—on this new document itself**; its influence on the development of the Hungarian constitution, and, more specifically, on the rule of law, the constitutional principle on which the entirety of the public law system is erected. The concept of “constitutional coup” is well established in the professional literature.⁵ I define it as a **coup d’état carried out with the instruments of constitutional law under the cover of constitutionality, in the form of a series of redraftings and amendments**. Ultimately, all of this amounts to a **coup against the constitution itself**.

A barely disguised and characteristic manifestation of this *coup d'état* was the above-cited Fourth and the soon-to-follow Fifth Amendment to the Fundamental Law, through which the government could flex its muscle and disregard appearances. Therefore, in this chapter I assess, analyze, and evaluate the content of the two amendments, the methods of lawmaking employed, and their system-level effects on Hungarian constitutionality and the entirety of the public law system. I will do this in the context of three branches of the discipline: Hungarian constitutional law, international law, and European law, given Hungary's EU membership. While the Fourth and Fifth Amendments took place in 2014, the process of warping the Hungarian public law system in this manner has been ongoing since the spring and summer of 2010. To determine the onset of the coup d'état against the constitution itself *as a tool to shape politics* is another task awaiting historians and political scientists.

I. The Fundamental Law Amended Five Times

1. The Fundamental Law, drafted in 2011 and instituted on 1 January 2012, was amended no less than five times over a year and a half. Accepted on 25 March 2013, it was reviewed by the Constitutional Court on 24 May 2013; followed by the release of the Opinion of the Venice Commission (hereafter: Opinion) on 17 June and, finally, by the Resolution of the European Parliament addressing the situation of fundamental rights in Hungary (hereafter: Resolution), on 3 July.⁶ Afterward, in September 2013, merely six months after the Fourth Amendment had come out the Fifth Amendment of the Fundamental Law was instituted.

Certainly, the purpose of the amendments was clearly formulated well in advance. Hungary's sitting prime minister since 2010 had formulated his intent to stay in power for an extended period of time in his state-of-the-nation speech delivered in Kötcse, as early as 9 September 2009. As well, he expounded the necessity of building a system of political institutions that could guarantee the realization of this plan, practically by establishing a one-party state. His idea of a "central field of power," especially if designed for the long term, was neither reconcilable with democracy, nor with a multiparty system, let alone with the electoral law which was in force until 2010. So the radical transformation taking the form, first, of forcing the Fundamental Law through parliament without any consultation or con-

sensus, then the subsequent mass production of legislation came hardly as a surprise. In my analysis of this situation,⁷ I argued for a shift of perspective to subject the *entirety* of the transformation to scrutiny; that is, not to debate the problem of constitutionality based on gauging one or another decree's incongruence with the constitution but to uncover this vast quantity of new laws systemically, in relation to one another and in regard to their combined impact. This approach, evidently, implied that the prime minister's vision propounded in Kötcse had to be evaluated as a system in terms of its constitutionality. Time vindicated my endeavor. It came to be approved not only by the domestic legal literature and public discourse,⁸ but the cited Opinion of the Venice Commission and the Resolution of the European Parliament a year later. In the spring and summer of 2013 the problem of harmonizing the entirety of the Hungarian public law and constitutional system was discussed in relation to constitutional law, European Union law, particularly the Treaty on European Union, and the European Convention on Human Rights.

2. The prime minister's vision of Kötcse thus challenged by its very logic any compliance with the rule of law and legal security—concepts which had crystallized over the two decades of constitutionality, and, by necessity, this inherently involved the **systematic dismantling of it. In the new administrative system organized along the lines of a mafia family**, a political enterprise grows into an economic enterprise as well and vice versa. The enterprise holds the state captive by colonizing certain key aspects of the state institutional structure as it redefines corruption from a legally sanctioned delinquent act into a system-wide, institutionally pervasive "nationalized" behavior. Particularly regarding the felony of corruption regulated according to Chapter XXVII of the Criminal Code, the stretching of the conceptual boundaries of "criminal organization" is apparent (§ 321 of the *Criminal Code*). **In the legal system of such a state the law is redoubled** in that compliance with the "official" law depends on the political and ideological "shadow norms." To the question as to how the rule of law can be dismantled by democratic parliamentary means, the processes set in motion in 2010 gave an answer: with the help of legal devices. However, to the questions as to how and for what purposes can a legal toolkit and, especially, legislative activity be used, the response comes from the framework and demands of constitutionality, which simultaneously set constraints to such uses. A constitution is meant to stand in the way of a *coup d'état* carried out

in the guise of constitutionality, on the condition that the constitutional court is able to observe both its letter and spirit.

The “vision of Kötcsé” was built up of many intricate details, and its author had an eye for this state-related institutional aspect, too. It is worth therefore to survey a few of the problems to which the Constitutional Court, the Venice Commission of the Council of Europe, and the European Parliament uniformly objected in strong terms.

II. A Few Examples

My selection of the topics is not arbitrary; they came into the spotlight in connection with the Fundamental Law’s Fourth and Fifth Amendments.

1. The ombudsman for fundamental rights requested the Constitutional Court to review the Fourth Amendment to the Fundamental Law (hereafter: Fourth Amendment). The CC’s decision 12/2013 (V.24.) concerned the **internal inconsistencies in the Fundamental Law** resulting from the frequent amendments. The ombudsman argued that the content was unconstitutional, explaining that the Fourth Amendment produced incoherence and contradictory regulations within the Fundamental Law, which in turn rendered it invalid. The ombudsman held that the amendments which disrupt the unity of the Fundamental Law and cause internal inconsistencies thus cannot be incorporated into the text. For instance, the Fourth Amendment **contains provisions previously found unconstitutional** by the CC, based on a different provision of the Fundamental Law. The CC held that the ombudsman’s claims referred to substantive rather than procedural questions. However, Article 25, Paragraph 5 of the Fundamental Law—introduced in the Fourth Amendment—restricts the Court’s power to decide such questions.

We consider the decision’s line of argument unconvincing on two counts. First, although the objective was to review the constitutionality of the Fourth Amendment, the Court based its decision on Article 24, Paragraph 5. The CC should have substantively examined whether the Fourth Amendment met the requirements of the Fundamental Law’s text then being in force—that is, the version resulting from the first three amendments. Not accidentally, this decision was reached by a deeply divided body accompanied as it was by four concurring opinions and four dissents. In some sense, this prefigured the fact that the disputes regarding the Fourth

Amendment would be postponed rather than resolved, as indicated by the statements of the Venice Commission and the European Parliament.

2. The two statements were also focused on the Fourth Amendment to the Fundamental Law. The Opinion⁹ was requested both by the Hungarian government and the Secretary General of the Council of Europe—although the government has yet to publish the official translation of the “Opinion’s” text. Analysis of the Opinion followed a thematic structure: it examined each topic one by one to consider whether it met the requirements of the European Convention on Human Rights and the Statute of the Council of Europe, including the interpretive practice of the European Court of Human Rights in Strasbourg. **By contrast, the European Parliament’s Resolution investigated and summarized the tendencies of the entire evolution of Hungarian constitutional law** over the period between 2010 and the first half of 2014, by chronologically arranging its events and in its statements referencing the Opinion of the Venice Commission on several topics.

3. It is apparent that three separate coordinate systems are needed to represent the evolutionary tendencies of the Hungarian constitutional and public law system. In the legislative process, one must keep in mind that Hungarian laws need to conform not only to the Hungarian Fundamental Law but also to one of the most significant treaties of international law, the European Convention on Human Rights (ECHR) and to European Union Law, in consideration of Hungary’s membership in the international community, and in the Council of Europe and the European Union in particular. This is a constitutional obligation according to the previous constitution and Article Q, Paragraph 2 of the current Fundamental Law alike; it is furthermore the precondition of the constitutionality of Hungarian laws. Likewise it is deemed a constitutional duty and a prerequisite of constitutionality for laws to conform to EU law (Article E, Fundamental Law). In the following, I will discuss a few examples involving, first, the addition of legal acts to the text of the Fundamental Law *after* being considered unconstitutional by the Constitutional Court (thus *precluding* their unconstitutionality!); second, the *informal* shrinking of the CC’s procedural powers while keeping its authority intact; and, third, how this shift in the CC’s status measures up to the standards of international and European Union law.

Although, naturally, the decisions of the Constitutional Court are binding for all,¹⁰ they can and should be the object of academic debate. We consider the decisions of the Constitutional Court discussed below to be well-founded and convincingly argued. This is why we start from the

assumption that the provisions which were first annulled and then included in the Fundamental Law via the Fourth Amendment are unconstitutional. As these provisions were nonetheless entered into the Fundamental Law, the Venice Commission and the European Parliament deliberated over their compliance with the European Convention on Human Rights and EU law, and they concluded negatively. This raises the possibility of **triple legal violations**: first, unconstitutionality in terms of Hungarian law, second, the violation of an international treaty and, third, of EU law, or at least a reasonable suspicion of such a violation. In the following, we will present a few examples of the manipulative process used to include into the Fundamental Law provisions previously found unconstitutional.

4. The legal **regulations regarding the recognition of religious organizations were deemed unconstitutional** and were **annulled** by the Constitutional Court. Their reasoning included two points: first, such recognition would be dependent on a political decision and, second, no legal remedy was available. The Fourth Amendment **incorporated the annulled legislation into the Fundamental Law**, leading the Venice Commission to opine that the text of the legislation even in this form was imprecise, it employed vague criteria, and offered the parliament excessive leverage. All of this was seen to entail that a protected fundamental right—the freedom of conscience and religion (Article 9, Paragraph 1 of the European Convention on Human Rights)—would be subject to political decisions. The Opinion also criticized the continued lack of legal remedy.

The Resolution emphasized the fact that the Fourth Amendment was passed two weeks after the Constitutional Court reached its decision, and that by incorporating provisions ruled unconstitutional, that decision had been superseded. According to the Resolution, this has an adverse influence on the state's obligation to approach religions and worldviews in a neutral and unbiased fashion.

The **Fifth Amendment is a response to these criticisms**. It has changed the text of the Fourth Amendment without **altering its essence** (Article VII, Paragraphs 2–4). The emphasis is now on a new category, that of “cooperation” in that the religious organizations cooperating with the state are designated as **established churches**. However, it remains the parliament's task to determine which organizations are to be designated as **established**. Such churches can have special rights and privileges presumably to cover the costs of maintaining their social, educational, etc. institutions from the state budget. The essential decision thus continues to lie in

the hand of political institutions. There is still no mention of legal remedy. The parliament then went on to modify the Law on Churches according to the content of the Fifth Amendment.

On 8 April 2014, the European Court of Human Rights in Strasbourg contended that the Church Law CCVI/2011 and particularly the provisions on the recognition of churches were in violation of Article 11 of the ECHR read in the light of Article 9.¹¹ Considering the freedom of conscience and religion alongside with the freedom of assembly and association, the Court emphasized that its unwillingness to substitute its own view for that of the relevant national authorities and its investigation merely concerned the degree to which the Hungarian state’s intervention in these fundamental rights was justified and proportionate. As the intervention stripped the religious organizations of their previous legal status, the question was whether this act had a legitimate purpose, and whether the degree and nature of the intervention was necessary in a democratic society. Placing restrictions on the so-called “business churches” can be such a purpose. However, according to Articles 9 and 11 of the ECHR, the state’s obligation is to enable religious organizations to acquire legal capacity in a democratic society (and let us add that Hungary as an EU member country is obliged to do so by international law). The Court was of the opinion that, although religious organizations do not have the right to demand special legal status, it is disproportionate to deprive existing churches from their legal status with immediate effect, since less drastic tools are available to achieve that legitimate goal. According to Hungarian legal regulations, recognition as an established church is thus dependent on the election results at any given moment in time, which is irreconcilable with the requirement that the state be neutral with regard to worldview. The absence of appropriate criteria is conducive to a situation where **the state can choose, that is, discriminate among religious organizations on a whim.**

The European Court of Human Rights concluded that the Hungarian provisions violate Articles 9 and 11 of the ECHR. The Court’s judgment made it unequivocal that it went beyond a reasonable suspicion or opinion as formulated on a high professional level by the Venice Commission. The Hungarian state, as an ECHR signatory, was being held accountable for **violating** international law and **an international treaty**. Including the provisions in the Fundamental Law does not resolve this issue—on the contrary, it makes the situation even more complex.

5. The Fourth Amendment contained a provision regarding new **restrictions on campaign advertising by political parties** (Article IX,

Paragraph 3 of the Fundamental Law), which received a great deal of criticism for excluding commercial media from carrying such ads. This provision also defies a previous decision by the Constitutional Court which annulled a provision of similar content in the law on the election process; the Fourth Amendment included it in the Fundamental Law without changing its contents.

According to the Opinion of the Venice Commission, this violates the fundamental right of freedom of expression and, by association, the European Convention on Human Rights. The provision deprives opposition parties of the opportunity to air their views. The aim of the provision is obvious: by elevating such a provision to the constitutional level without altering its scope, legislation on the issue is effectively withdrawn from constitutional review by the Constitutional Court.

The Resolution of the European Parliament emphasizes that this provision undermines the imperative of balanced coverage, which is exacerbated by the fact that public service broadcasting is under the control of an extremely centralized institutional system. **This results in one-sided coverage and a distorted media market.**

The Fifth Amendment to the Fundamental Law reacts to this criticism with an ambiguous solution. According to the new provision, **commercial media can carry political ads but must do so free of charge**. This condition effectively makes it impossible to take advantage of the opportunity offered; the shrewdly devised “solution” thus perpetuates the original prohibition, now guaranteed by the inserted condition. In other words, the prohibition is lifted conditionally but in reality perpetuates the prohibition. The Fifth Amendment thus simply circumvents the **critique of the Venice Commission and the European Parliament**.

6. According to the Venice Commission, the Fourth Amendment’s provision on hate speech (Article IX, Paragraph 5) also violates the freedom of expression. This provision was, once again, raised to the level of the Fundamental Law after the Constitutional Court found the original version—from the Criminal Code—unconstitutional. The paragraph which introduces the “dignity of the Hungarian nation” elicited particularly acerbic criticism from the commission. The Opinion enlightens the **constitutional legislators, pointing out that only human beings have dignity**. To classify the offence of the Hungarian nation’s “dignity” as potentially a form of hate speech is seen to serve to curtail the expression of disapproval of public figures.

The Fifth Amendment does not address this question.

7. The Constitutional Court established that the **autonomy of the universities** (Article X, Paragraph 3) had been violated by the legislation that **brought the economic administration of the universities under government control**, and annulled it. The Fourth Amendment included this provision in the Fundamental Law. The Venice Commission pointed out, once again, that this issue is usually regulated by ordinary law, and not the constitution; and that raising this provision to the constitutional level serves the purpose of preventing review by the Constitutional Court.

The Fifth Amendment does not address this question.

8. The provision which **classified homelessness as a petty offense** was previously annulled by the Constitutional Court, which argued that homelessness was constitutionally ineligible to be sanctioned under criminal law, as it is an issue which concerns social law rather than criminal law and thus had to be treated using the tools of social law and social policy. The Fourth Amendment incorporated this provision in the Fundamental Law (Article XXII, Paragraph 3). The Venice Commission repeats its criticism that this issue does not need to be regulated by the constitution; and that it serves the purpose of preventing review by the Constitutional Court.

The Resolution similarly expresses concern about homelessness being addressed through criminal law.

The Fifth Amendment does not address this question.

9. The commission and the European Parliament criticized two aspects of the **independence of the judiciary**.

9.1 The Venice Commission had criticized the **wide range of powers vested in the president of the National Office for the Judiciary** (Article 25) as well as the legislation which made the judges directly dependent on the president in several earlier opinions.¹² The commission also registered the president's lack of accountability to anybody. The commission noted with disappointment that the Fourth Amendment did not take these observations into account, using instead the Fundamental Law to establish the president's legal status.¹³ This is clearly a step backward with regard to the commission's earlier opinions.

The Fifth Amendment does not address the criticism of the Venice Commission.

9.2 The Venice Commission had previously criticized the **right** of the president of the National Office for the Judiciary **to transfer cases** from the court required by law to hear it to a different court.¹⁴ The Opinion

objects to the fact that there are no objective, normative criteria for the selection of cases for transfer.

The Fifth Amendment deleted this possibility from the Fundamental Law. The criticism appears to have found willing ears on this occasion. However, if we consider that the president of the National Office for the Judiciary retains his or her broad powers regarding the judges—which leads to their legal and actual dependency—it becomes clear that there is no urgent need to preserve the procedure of case transfers; the nefarious purposes for which it was designed can clearly be achieved regardless.

The provision was also eliminated from the relevant law.¹⁵

In the meantime, decision 36/2013 (XII. 5.) of the Constitutional Court retroactively ruled the law unconstitutional on the basis of which the president of the National Office for the Judiciary had transferred over forty cases to a court other than the one prescribed by law (the complaint which led to the ruling was OBHE [president of the National Office for the Judiciary], decision number 22/2012. [II. 16.]). The court determined that the legislation violated an international treaty in addition to the Fundamental Law: Article 6, Paragraph 1 and Article 13 of the European Convention on Human Rights, which concern the right to a fair trial and the right to an effective remedy. In accordance with this, the Constitutional Court established that the legislation cannot be applied in the cases involved, i.e., **the previous transfer of cases was unconstitutional**. Based on the decision of the Constitutional Court, one might have concluded that the cases would ultimately be judged at the courts prescribed by law. This did not happen. Even though the selected courts, one by one, referred to their lack of competence and transferred the cases back to the courts prescribed by law, the cases were returned to them as though the above decision of the Constitutional Court had never been reached. The Curia, which made the final decision, surprisingly took the position that the Court's decision—despite using the tool of “retroactive” annulment—“did not affect” the consequences of the now-defunct law or the validity of the transfers.¹⁶

10. The Venice Commission dedicates an extensive section to a topic which clearly gives rise to a great deal of concern: **the restrictions on the legal status and powers of the Constitutional Court imposed by the Fourth Amendment**.

In our opinion, the reduction in the powers of the Court due to each individual law does not represent a restriction of the citizens' constitutional legal status. As a reminder, the restriction was achieved by including

in the Fundamental Law legislation that had previously been ruled unconstitutional and norms which only served short-term political interests. In the case of the latter, the Court’s decision-making options—although they are not specifically linked to its powers—are in fact substantively and materially restricted or excluded according to the topic under regulation. This **limits the citizenry’s opportunity of legal protection**. Thus, in terms of its legal status, it becomes increasingly less clear whether the Constitutional Court is capable of fulfilling its function as the primary guardian of the Fundamental Law. Democracy and the rule of law are clearly not contingent on the existence of a constitutional court, as there are countries, including some EU member states, which do not have one. The reason why we are not applying a double standard in the case of Hungary is that both the Venice Commission and the European Parliament formulated their concerns regarding the Constitutional Court as an element of the entire public law system and in the context of the other phenomena presented above, not as a stand-alone issue.

10.1 Most importantly, the Opinion condemns the consistently used method whereby **provisions found unconstitutional by the Constitutional Court are regularly reintroduced on the constitutional level**. This procedure undermines the role of the Constitutional Court in the system of public law and thus violates the three pillars of the Statute of the Council of Europe: the protection of human rights, rule of law, and democracy. Moreover, it endangers the separation of powers.

10.2 The Fourth Amendment repealed the Constitutional Court rulings given prior to the entry into force of the Fundamental Law—that is, those based on the Constitution of 1989 (Point 5 of the Closing Provisions). The Opinion of the Venice Commission considered this dangerous regarding legal certainty, as previous decisions of the Constitutional Court offer guidance not only for the Constitutional Court itself but also for the practice of ordinary courts. The Opinion saw this as another sign that the **government and parliament are aiming to restrict the legal status of the Constitutional Court in a systematic manner**.

The Resolution was “extremely concerned” that the previous decisions of the Court had been repealed, as they contained “an entire system of fundamental principles and constitutional requirements,” including the application of EU law and of European human rights law. It was thus of particular concern that other courts would not be able to base their decisions upon the previous case law of the Constitutional Court.

After the Fundamental Law came into force, decision 22/2012 (V. 11.) of the Constitutional Court took the position that it could use the arguments from its earlier decisions in the interpretation of provisions in the Fundamental Law which were similar in content to those in the previous constitution. This is what the parliament was reacting to with the Fourth Amendment. The Constitutional Court was thus forced to return to the question, and in decision 13/2013 (VI.17.) it stated that it would continue to use its old arguments irrespective of the Fourth Amendment. However, to take the Fourth Amendment into account, it would justify applying these arguments, assuming that there were no obstacles to such application due to the uniformity in content.

10.3 Regarding the Constitutional Court, the Opinion of the Venice Commission was also concerned about the reaction to the Court's 45/2012 (12. 29.) decision, in which it expressed its intention to substantively review the constitutionality of amendments to the Fundamental Law, if the case presents itself. The relevant new provision in the Fourth Amendment (Article 24, Paragraph 5) introduced this topic into the Fundamental Law and allowed such review only for procedural reasons. The formerly unregulated issue was thus raised to the constitutional level, where the Court was now prohibited from conducting a substantive review as formulated in the above decision. The Resolution viewed the new provision as weakening the system of checks and balances.

As a consequence of the frequent constitutional amendments, Hungarian legal literature began to discuss the **constitutionality of constitutional** amendments, focusing on the Constitutional Court decision (12/2013 [V.24.]) analyzed above. The literature pointed out—referring, for example, to the dissenting opinions of Constitutional Court judges István Stumpf and András Bragyova—that the basis of the amendment's constitutionality is unclear. To be more precise, the decision implied that, by basing its argument on the amended text itself, the amendment should serve as the basis of its own constitutionality. Attila Vincze contended that in this way **the Fundamental Law's normative force and its ability to set limits on power is reduced.**¹⁷

10.4 The Venice Commission formulated serious concerns about the fact that the **Constitutional Court lost the competence to review budget laws entirely and for the long term** (Article 37, Paragraphs 4–5).

10.5 The Opinion concludes with sharp words: the Venice Commission “repeats its serious concern about the limitation of the competence of the

Constitutional Court to review legislation. Shielding potentially unconstitutional laws from review is a direct attack on the supremacy of the Fundamental Law of Hungary.”

The Resolution considers the inclusion of provisions which were previously found unconstitutional in the Fundamental Law to undermine the supremacy of the Fundamental Law over the legal system, and thus recommends that these provisions be deleted.

The Fifth Amendment does not address this question.

11. In conclusion, the Venice Commission summarizes and evaluates the status of Hungarian constitutionalism. The Opinion voices three particularly serious concerns.

First, the Opinion states that the **large number of cardinal laws poses a “serious threat to democracy.”** As this situation will hobble the work of future parliaments, the elections will not be as significant, which is a grave violation of Article 3 of the Protocol of the ECHR. The Resolution of the European Parliament also discusses the widespread use of cardinal laws, which undermines the principles of democracy and rule of law, and reduces the ability of future governments to react to changes in society.

The Opinion points out that the constitutional amendment is degraded to an instrument of day-to-day politics when used to add inappropriate, detailed regulations previously found unconstitutional to the Fundamental Law such as penalizing homeless people, keeping students in “bondage” after graduation, and controlling university budgets. The Resolution is also of the opinion that such regular amendments of the Fundamental Law reflect nothing but current political will.

Furthermore, the Opinion emphasizes that the Fourth Amendment perpetuates the problems in the Hungarian constitutional system, particularly by systematically reducing the possibilities of constitutional review due, in turn, to the systematic inclusion in the Fundamental Law of legislation that was found unconstitutional. In this system of public law, **constitution making and ordinary politics are merged**, which runs counter to both the Hungarian Fundamental Law and the key concepts in the Council of Europe documents such as democracy, the rule of law, including the separation of powers, and the protection of human rights.

The Resolution concluded that the systemic and general trend of repeatedly modifying the constitutional and legal framework in very short time frames as well as the content of such modifications were **incompatible with EU law**, in particular, with the values referred to in Article 2, Article 3,

Paragraph 1, and Article 6 of the Treaty on European Union and deviated from the principles referred to in Article 4, Paragraph 3. Thus, in sum, this trend risked a serious breach of the values referred to in Article 2 of the Treaty on European Union.

12. Summarizing the above, we see that the significant provisions of the Fourth Amendment of the Fundamental Law remained in force, or were reformulated and survived in the Fifth Amendment. Thus, we consider unconstitutionality according to Hungarian law, the violation of international law due to the violations of the ECHR, and the violation of EU law to continue to prevail. Besides certain decisions of the Constitutional Court, the Venice Commission and the European Parliament are in agreement to detect **systemic and persistent problems of constitutional and public law**.

13. We are faced with the problem of unconstitutionality applying to the entirety of the legal system, and this remains to be a major issue of Hungarian public law. A systematically devised, organized, and executed **coup d'état**, considered to be complete by 2014, **has created a new constitutional condition, which might have consequences for criminal law**.

Article C, Paragraph 2 of the Fundamental Law, transferred almost verbatim from § 2, Paragraph 3 of the constitution, prohibits the exclusive possession of power and goes on to state that “Everyone shall have the right and obligation to resist such attempts in a lawful manner.”

However, in terms of content, Article C, Paragraph 2 of the Fundamental Law has a peculiar characteristic. The Constitutional Court in its 14/2000 (I.12.) decision—unlike the initiator—found the prohibition of Nazi and bolshevik symbols substantively constitutional, and the argument is worth quoting: “The constitution is the constitution of a democratic state with rule of law, which means that the constitution-drafting power considers democracy, pluralism, and human dignity to be constitutional values worthy of protection, and simultaneously excludes all activities from the constitution which ... aim at the exclusive possession of power.” The Court thus rejected the case without describing the exclusive possession of power in positive terms since the case did not allow for such a formulation.

We do not yet have a description of the exclusive possession of power in positive terms. After all, it is difficult to picture the parliament drafting legislation to claim that this or that political party, movement, organization, person, etc., is an exclusive possessor of power.

However, Article C, Paragraph 2 of the Fundamental Law is basically different from customary constitutional provisions, which means that the

question of its potential unconstitutionality also needs to be posed differently. While a specific individual law may fulfill the conditions of other constitutional rules, only a group of laws can enable the exclusive possession of power and guarantee its retention in the future. In this case, a constitutional review must consider whether any laws or group of laws, intentionally organized as a system, could—through their combination and interaction with one another—render the exclusive possession of power possible, realizable, and subsequently guaranteed in the long run. In such a case, a boundary has been crossed creating a qualitatively different condition, although it is impossible to define that boundary in abstract terms.

The legal literature does not dedicate much attention to this critically unique aspect of the Fundamental Law. The *Commentary* on the previous constitution¹⁸ is the only publication to point out clearly that § 2, Paragraph 3 of the constitution—i.e., Article C, Paragraph 2 of the current Fundamental Law—formulates the right to resistance. It can be considered the “keystone of the defense system, which makes it the obligation of every citizen to take action against dictatorial powers.” The *Commentary* emphasized that this provision represents not merely a constitutional prohibition but a civic duty as well. In the opinion of Constitutional Court judge László Kiss,¹⁹ it is a self-enforcing rule, and the right of resistance itself is a fundamental right.

The *Commentary* emphasized—in 2009!—that even in the course of theoretically free elections, a situation can develop in which a party obtains a two-thirds majority in the parliament and thus “secures the opportunity of taking control over the other branches of power, partially or completely, that is, the possibility of ... the exclusive possession of power.”²⁰ Although those who acquire power in this fashion “only” gain control of the legislative and executive branch, they will have the possibility to “entirely transform the system and gain possession of every branch of power.”²¹ This is why the *Commentary* holds that “the concentration of power carried out with democratic authorization ... can ultimately lead to the abolition of pluralist democracy, particularly in case the rights of political participation are restricted.”²² However, as mentioned above, this can have criminal law consequences in addition to constitutional law consequences.

14. Some hold the view that **at present the real restraining power is represented by the EU.**²³ The EU can suspend the voting rights of a member state based on Article 7 of the Treaty on European Union. It can also limit or freeze subsidies based on EU laws regarding the transparency

of subsidy distribution. As the Fundamental Law—following the example of the previous constitution—included many provisions of the ECHR verbatim, I will not discuss violations of international treaties separately here. From the point of view of Hungarian constitutionality, I have presented my case exhaustively above. Therefore, in the following, I will concentrate on the consequences for our relationship with the European Union.

III. The European Union's Possible Course of Action and Its Search for a Solution

A) The New EU Rule of Law Framework

1. The Resolution of the European Parliament²⁴ appealed to the Council of Europe not to remain inactive if a country breaches fundamental rights or implements changes that may negatively affect the rule of law in that country. It provided the Venice Commission with a set of recommendations resulting from the examination of Hungarian constitutionality but applying generally to every member state. The most important recommendation was to establish a monitoring mechanism which can give early warning if the constitutional and legal practices of a member state are systematically transformed in a manner that may violate the basic values of Article 2 of the Treaty on European Union. Member states must comply continuously even after having become a member based on the Copenhagen criteria, which are as follows: democracy (including the rule of law and fundamental rights), a functioning market economy, and the ability to fulfill the obligations of membership, most notable of which is the application of EU law.²⁵

However, for the case of a member state violating these criteria, currently only Article 7 is available to address it. A mechanism is required to monitor a member state speedily, efficiently, excluding undue political influence and the employment of double standards. The work of such a “Copenhagen Commission” would consist of two stages. On the one hand, it would continuously monitor compliance with Article 2 of the Treaty on European Union and the Copenhagen criteria. On the other, it would intervene in case of severe and persistent violations.

2. The EU Commission responded to the recommendation of the EU Parliament in its communication of 11 March 2014,²⁶ which sets out the “new EU framework to strengthen the rule of law” and preempt the appli-

cation of Article 7. It is impossible to initiate a procedure in reaction to a member state’s failure to fulfill its obligations (Article 258, Treaty on the Functioning of the European Union) if local legislation poses a systemic threat to the rule of law, yet no specific provisions of EU law are violated. For these situations Article 7 may apply, which is what the development of the new EU framework to strengthen the rule of law serves to preempt. The EU Commission does not consider it necessary to modify the existing treaties; it simply conveys **how it will act in order to protect the rule of law** in the future. The new framework will be activated when national rule of law safeguards “do not seem capable” of effectively addressing those threats.

The communication clarifies the material legal content of the concept of rule of law relying on the statements and case law of the Court of Justice of the European Union, the European Court of Human Rights, and the Venice Commission. According to the communication, this content consists of the following elements and principles: legality, legal certainty; prohibition of arbitrariness of the executive powers; independent and impartial courts; effective judicial remedy including respect of fundamental rights, and equality before the law.

3. The Framework is a **three-stage process**. In the first stage, the EU Commission will examine and assess all the relevant information from the member state in order to determine the existence of a systemic threat to the rule of law. If it does perceive such a threat, the commission will send an opinion to the member state and initiate a dialogue. In the second stage, unless the matter has already been satisfactorily resolved, the commission will publicly issue a “rule of law recommendation” and, where appropriate, include specific guidance on the ways and measures to resolve the problem. In the third stage, the EU Commission will monitor the member state’s implementation of the recommendations and, if deemed unsatisfactory, it will consider the possibility of applying Article 7.

4. The new framework to strengthen the rule of law thus does not represent an increase of the EU Commission’s powers. It simply **describes in advance what measures will be taken** and for what reasons within the scope of its existing powers. The application of the framework will reveal its significance. However, it is already clear that such a procedure faithfully follows the member states’ violation of loyalty as described in Article 4, Paragraph 3 of the Treaty on European Union. This is what happens when EU member states violate or sidestep EU law and the more broadly defined requirements of rule of law emphasized in Article 2 of the Treaty

on European Union; when they breach the signed accession treaties and their own expressed intent in the act of entering the EU: *venire contra factum proprium*. The **duty of loyalty binds the member states in all areas of the exercise of sovereign power** to such an extent that in a given and adequately concretized case it could even serve as a basis of reference for a private individual to initiate action against the member state. The case law of the European Court of Justice has concretized this general duty in a number of verdicts (e.g., member state legislation cannot hinder the unrestricted application and execution of EU law).²⁷

This approach is in line with the Hungarian Constitutional Court's case law in that **legislators are proscribed from abusing the right to legislate** due to the requirement of legal certainty deriving from the concept of the rule of law.²⁸ Furthermore, they **are obliged to exercise this right in accordance with the spirit of legal practice**.²⁹

The new EU framework to strengthen the rule of law is thus solidly grounded in both EU law and the member states' constitutional approaches, even considering that Article 4, Paragraph 2 of the Treaty on European Union emphasizes a respect for the member states' national identity and constitutional structures, and Article 6, Paragraph 3 claims the importance of the member states' shared constitutional traditions (albeit in the context of fundamental rights but formulated in a broad sense). Thus, when Hungarian legislators violate the responsibilities stipulated by membership in the EU—as has been established by a number of studies, analyses and, in some cases, by rulings of the European Court of Human Rights (e.g., in the case of the law on churches)—they do not merely face a violated obligations procedure specific to a single item of legislation or the unlikely activation of Article 7 but the instigation of the new EU framework as well. This procedure appears to be more rapid, efficient, and flexible in a case like Hungary's where the rule of law is violated in a state-organized, systemic, and continuous manner, due to the fact that the system of public law displays the characteristics of a mafia state. In such cases, the entirety of the legal system inevitably and immanently leads to such violations.

B) Revoking Subsidies

1. The EU has recently observed the **rise of oligarchic tendencies** in the economies of Eastern and Central European countries, with particular emphasis on their opaque nature, as the European Commission has strict

oversight of the disbursement and of the subsidies from structural and cohesion funds. The following case is characteristic of the degree to which political and economic enterprise had become entwined by 2014, a state of affairs described in the Hungarian literature as a “mafia state.” In April 2014, it turned out that the Hungarian government was incorporating the independent (but state-owned) companies which distributed EU development funds and supervised their spending into the ministries. Thus, on 1 January 2014, the Hungarian organizations accredited with the EU ceased to exist. However, the new organizational system was not accredited until April 2014, which meant that the EU Commission *de facto* suspended subsidy payments. The commission voiced concern over the transparency of the new system, as it is not clear to them whether this new centralized system is capable of functioning transparently. **The commission thus requires guarantees that EU taxpayer money will be spent as intended.**

2. Regulation 1303/2013/EU lays down general provisions on the management of financial funds and the execution of operational programs.³⁰ Chapter II regulates the preparation, examination, and acceptance of accounts, the conclusion of operational programs, and the suspension of payments. Although payments were not formally suspended in the Hungarian case, this part of Regulation 1303/2013/EU is particularly instructive, as the commission “asked” the Hungarian government not to send any more invoices (so as to avoid a formal suspension).

This is not to say that the EU was trying to exert pressure on Hungary; the case concerns the circumstances of **observing and enforcing the rules**. According to these rules (Article 142 of Regulation 1303/2013/EU), the EU Commission can decide whether to **suspend payments** if certain conditions are met. In order to do so, first it must ask for the member state’s clarifications on the case. The suspension is lifted only if the member state has taken the action deemed necessary by the EU Commission to rectify the problem. What conditions can lead to the suspension of payments? They may include major deficiencies in the management and control mechanism of the operational program, which **put the EU contribution “at risk”** (Article 142, Paragraph 1, Point a). They also include situations—and this fits the Hungarian case better—when **a serious deficiency in the quality and reliability of the monitoring system** is observed (Point b).

In December 2013, the commission expressed its concerns regarding the reorganization in a letter to the Hungarian government. The government failed to provide a convincing explanation of the new institutional

structures and their reliability, given the absence—let alone accreditation—of such a structure at the time. The old system had ceased to exist on 1 January 2014. By asking the Hungarian government not to send invoices and requesting the interim solution of a **de facto freeze**, the commission sought to avoid a suspension of payments and keep the case formally within the customary administrative framework.

3. In the context of the developments in the Hungarian public law system, including the questions of constitutionality, which have been evaluated by domestic and international bodies, the disregard for and instrumental treatment of the criteria of the rule of law, as well as their organized violation, concealed under the guise of legislating and even constitution writing and amending evidently affect the entirety of Hungary's relationship to the EU as a member state, including the transparency of EU subsidies and the resulting problems of their disbursement. If Hungary does not comply fully with the requirements regarding the rule of law laid out by the communication analyzed above, and is in such grave violation of their substance that the European Parliament and the EU Commission are forced to pay attention, it is a clear signal of where the boundaries lie. Concerns about transparency do not simply refer to corruption. They also encompass a situation wherein the public law system of a member state transforms an oligarchic economic enterprise into a political enterprise system, and these spheres become inseparably, purposefully, and institutionally intertwined.

Beyond a certain point, corruption turns into a qualitatively new entity posing a threat to democracy. If we consider the changes in public law and constitutionalism presented above, it is clear that the EU will eventually have to pose the question as to whether Regulation 1303/2013/EU and the requirement of a member state's loyalty formulated in Article 4, Paragraph 3 of the Treaty on European Union can be reconciled with a lack of transparency in the member state's use of subsidies.

The current Hungarian situation has grown dangerous since regarding the rule of law we have a reasonable suspicion of violations of domestic, EU, and international law. General and specific concerns have been voiced by the Hungarian Constitutional Court, the Venice Commission of the Council of Europe, the European Parliament, and the EU Commission.

One needs to be aware of the possibility that the EU Commission will test its newly designed framework to strengthen the rule of law by looking at the Hungarian situation. And that is merely one step removed—if not from the complicated, knotty application of Article 7, which stipulates spe-

cific political prerequisites—but from the suspension of subsidies formally as well as factually. This, however, would lead to the immediate collapse of the Hungarian state budget, as 95% of the funding for Hungarian state investments comes from EU subsidies; and while the subsidies are frozen, the expenses must be covered from the state budget.

IV. Conclusions

The continuous modifications of the Fundamental Law have devalued this fundamentally important guarantee of the rule of law in Hungary. Furthermore, the substance of the Fourth and Fifth Amendments and the methods by which they were passed made it clear that neither a new constitution was created, nor the legal articulation of the antidemocratic and autocratic concept of the “central field of power” took place. The developments in Hungarian constitutional law from 2010 to 2014, particularly the consecutive steps of the **anticonstitutional coup d’état**, revealed that the value and purpose which the Constitution of 1989 was meant to—and did in actuality—provide, namely, guaranteeing the possibility of replacing the government, or, to put it more simply, guaranteeing political democracy and the rule of law, had been lost. The overt goal and result of the Fourth and Fifth Amendments of the Fundamental Law was to conceal short-term political goals under the guise of constitutional law.

However, it is clear that this cat-and-mouse game has been exposed. The Council of Europe and the European Union revealed the state’s schemes masquerading as a constitutional battle. Thus, Hungary has slipped into an unconstitutional position not only in light of its own Fundamental Law, in particular its Article C, Paragraph 2, but also as a result of multiple violations of its international obligations based on an international treaty and European Union law. The latter represents, simultaneously, a violation of the Hungarian Fundamental Law, namely Articles E and Q, which pronounce compliance with international and EU law to be a constitutional duty.

Thus, we are dealing with a condition of **triple unconstitutionality** and a continuous obstruction of the other two branches of government, all of which amounting to a flagrant and constant violation of the law. The present critique exceeds by far anything that could be termed a formalist and apparently paranoid “lawyerly” analysis on my part. Furthermore, the events render any legal analysis of Hungarian constitutional issues,

caught up as they are in a maelstrom of devaluation, irrelevant. The story is increasingly about something else; it is about the **ongoing construction and solidification of the as yet incomplete “other type of regime”³¹ that has come to replace democracy as a system of public law**. The manipulated and distorted election results of April 2014 manufactured by a manipulatory and distorting electoral system demonstrate this predicament retroactively, while they simultaneously foreshadow the future.

NOTES

¹ On the opinion of the Venice Commission, see European Commission for Democracy through Law (Venice Commission), *Opinion on the New Constitution of Hungary*, Opinion no. 621/2011, CDL-AD(2011)016, adopted by the Venice Commission at its 87th Plenary Session (Venice, 17–18 June 2011), Venice Commission/Council of Europe, Strasbourg, 20 June 2011, [http://www.venice.coe.int/webforms/documents/CDL-AD\(2011\)016-E.aspx](http://www.venice.coe.int/webforms/documents/CDL-AD(2011)016-E.aspx); on the legal literature, see e.g., Attila Vincze, “Die neue Verfassung Ungarns,” *Zeitschrift für Staats- und Europawissenschaften* 1 (2012): 110–29.

² See <http://hudoc.echr.coe.int/sites/eng/pages/search.aspx?i=001-144139>.

³ Vincze, “Die neue Verfassung Ungarns,” 29.

⁴ It would have exceeded the scope of this chapter to analyze the new electoral system. However, the OSCE report published the day after the April 2014 elections corroborates our conclusions, see <http://www.osce.org/odihr/elections/117205>. On the new electoral system, see Zoltán Tóth, “Before Parliamentary Elections in 2014,” *A szavazatok erejével...*, 20 June 2014, http://tothzoltan.blog.hu/2014/06/20/zoltan_toth_before_parliamentary_elections_in. On the elections, see the analysis by Kim Lane Scheppele, co-authored with electoral mathematicians: Kim Lane Scheppele, “Legal but Not Fair: Viktor Orbán’s New Supermajority,” *Verfassungsblog: On Matters Constitutional*, 14 April 2014, <http://verfassungsblog.de/legal-but-not-fair-viktor-orbans-new-supermajority/>; for the final OSCE report, which collected thirty-six points of criticism regarding the electoral system, see Office for Democratic Institutions and Human Rights, *Hungary: Parliamentary Elections, 6 April 2014*, Warsaw: OSCE/ODIHR Limited Election Observation Mission Final Report, 11 July 2014, <http://www.osce.org/odihr/elections/hungary/121098?download=true>.

⁵ See e.g., Bálint Magyar, “Magyar polip—a posztkommunista maffiaállam,” in *Magyar polip. A posztkommunista maffiaállam* [Hungarian octopus: The post-communist mafia state], ed. Bálint Magyar and Júlia Vásárhelyi (Budapest: Noran Libro Kiadó, 2013).

⁶ 12/2013 (V.24.) CC decision (21 May 2013); European Commission for Democracy through Law (Venice Commission), *Opinion on the Fourth Amendment to the Fundamental Law of Hungary*, Opinion no. 720/2013, CDL-

AD(2013)012, adopted by the Venice Commission at its 95th Plenary Session (Venice, 14–15 June 2013), Venice Commission/Council of Europe, Strasbourg, 17 June 2013, [http://www.venice.coe.int/webforms/documents/?pdf=CDL-AD\(2013\)012-e](http://www.venice.coe.int/webforms/documents/?pdf=CDL-AD(2013)012-e); The European Parliament resolution of 3 July 2013 on the situation of fundamental rights: Standards and Practices in Hungary, <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2013-0315+0+DOC+XML+V0//HU&language=HU>.

- ⁷ Imre Vörös, "Államcsínytevők" [State rascals], *Heti Világgazdaság*, 7 March 2012, 20–22; the title is an untranslatable pun melding the word "coup d'état" with "rascals." For a detailed and referenced version online, see the online version dated 8 March 2012: http://hvg.hu/velemenye/20120308_allmcsinytevok_voros_imre; I returned to this topic in the fall of 2012. See Imre Vörös, "Grosschmid—reloaded. Tudósítás a jogállamiság határvidékeiről" [Report on the peripheries of rule of law], *Jogelméleti Szemle* 3 (2012): 118–37, <http://jesz.ajk.elte.hu/voros51.pdf>.
- ⁸ Nora Chronowski and Erzsébet Csatlós, "Judicial Dialogue or National Monologue? The International Law and Hungarian Courts," *ELTE Law Journal* 1.1 (2013), http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2332172; Judit Zeller, "Nichts ist so beständig... Die jüngsten Novellen des Grundgesetzes Ungarns im Kontext der Entscheidungen des Verfassungsgerichts," *Osteuropa Recht* 3 (2013): 307–25. Also see the joint expert opinion of the Hungarian Helsinki Committee, Eötvös Károly Policy Institute, and the Hungarian Civil Liberties Union: "Main Concerns Regarding the Fourth Amendment to the Fundamental Law of Hungary," 26 February 2013, http://helsinki.hu/wp-content/uploads/Appendix_1_Main_concerns_regarding_the_4th_Amendment_to_the_Fundamental_Law_of_Hungary.pdf; Gábor Halmai, "Constitutionalism in Hungary: Undermining the Fundamental Law," *Jurist*, 12 April 2013, <http://jurist.org/forum/2013/04/gabor-halmi-hungary-churches.php>.
- ⁹ The Opinion was adopted by the Venice Commission at its session on 14–15 June 2013.
- ¹⁰ Law CLI/2011 on the Constitutional Court 39 §.
- ¹¹ Case of Magyar Keresztény Mennonita Egyház and Others v. Hungary, <http://hudoc.echr.coe.int/app/conversion/pdf/?library=ECHR&id=002-9372>.
- ¹² European Commission for Democracy through Law (Venice Commission), Opinion on Act CLXII of 2011 on the Legal Status and Remuneration of Judges and Act CLXI of 2011 on the Organisation and Administration of Courts of Hungary, Opinion no. 663/2012, CDL-AD(2012)001, adopted by the Venice Commission at its 90th Plenary Session (Venice, 16–17 March 2012), Venice Commission/Council of Europe, Strasbourg, 19 March 2012, [http://www.venice.coe.int/webforms/documents/CDL-AD\(2012\)001-e.aspx](http://www.venice.coe.int/webforms/documents/CDL-AD(2012)001-e.aspx), para. 118.
- ¹³ *Ibid.*, para. 69.
- ¹⁴ *Ibid.*, para. 74.
- ¹⁵ The Law Concerning the Structure and Administration of Courts, CLXI/2011 § 62–64, and the Law Concerning Prosecution, XIX/1998 § 20/A.
- ¹⁶ Bkk.III.494/2014/4. decree.
- ¹⁷ Of the literature, see, for instance, Attila Vincze, "Az Alkotmánybíróság határozata az Alaptörvény negyedik módosításáról. Jogesetek Magyarázata" [The Con-

- stitutional Court's ruling on the Fundamental Law's Fourth Amendment: Explanation of legal cases], 2013, points 4–5.
- 18 András Jakab, ed., *Az Alkotmány Kommentárja. I. kötet* [Commentary on the Fundamental Law, vol. 1] (Budapest: Századvég Kiadó, 2009), 231.
 - 19 See the 2nd point of his explanation to the IV/2532-6/2012 ruling of the Constitutional Court.
 - 20 Jakab, *Az Alkotmány Kommentárja*.
 - 21 *Ibid.*, 233.
 - 22 *Ibid.*, 234.
 - 23 Attila Vincze, "Wrestling with Constitutionalism: The Supermajority and the Hungarian Constitutional Court," *ICL Journal* 1 (2014), point 4.
 - 24 Adopted by the parliament with a large majority consisting of 370 yes votes, 248 no votes, and 82 abstentions (a large part of which were from the European People's Party fraction).
 - 25 The criteria formulated for Central and Eastern European countries at the 1993 Copenhagen negotiations.
 - 26 European Commission, *Communication from the Commission to the European Parliament and the Council: A New EU Framework to Strengthen the Rule of Law*, COM(2014) 158 final/2, Strasbourg, 11 March 2014, <http://ec.europa.eu/transparency/regdoc/rep/1/2014/EN/1-2014-158-EN-F2-1.Pdf>.
 - 27 Gert Nicolaysen, *Europarecht I* [European Law 1], 2nd ed. (Baden-Baden: Nomos, 2002), 152–53.
 - 28 Ruling of the Constitutional Court 31/1998 (25 June).
 - 29 Ruling of the Constitutional Court 18/2008 (12 March).
 - 30 Regulation 1303/2013/EU of the European Parliament and of the Council of 17 December 2013 Laying Down Common Provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and Laying Down General Provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and Repealing Council Regulation (EC) No. 1083/2006, *Official Journal of the European Union*, L 347/320. 20 December 2013, <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32013R1303>.
 - 31 The prime minister delivered the following "optimistic" statement in a television interview in 2012: "We hope ... that we will not have to come up with another type of regime to replace democracy.... Coming together is not a question of intent but of strength.... A semi-Asian people like ours can come together if there is strength" (ATV, 26 July 2012), quoted in Attila Ara-Kovács, "Előképek és rémképek" [Previews and nightmares], in *Magyar polip. A posztkommunista maffiáállam* [Hungarian octopus: The post-communist mafia state], ed. Bálint Magyar and Júlia Vásárhelyi (Budapest: Noran Libro Kiadó, 2013), 110.

Zoltán Fleck

Law under the Mafia State

Whether in principle, or on the level of institutional praxis, the rule of law proscribes mafia-like ways of functioning. Effective barriers in the framework provided by the rule of law deter mafia-style operations from coming to influence decision making, dictating norms, or effecting the formation of political will. It follows from the above that the institutionalization of a mafia-like power structure requires a systematic dismantling of the liberal constitution and constitutional establishment.

The Internal Logic of the Regime

The sequence of events that dispensed with the state grounded in the rule of law has been widely followed; all institutional segments have been grievously undermined since the parliamentary elections of 2010. The independent institutions that—in various ways and to varying degrees—checked the exercise of power have lost their independence or relevance in a variety of ways. Radical curtailment of the jurisdiction of the **Constitutional Court**, the election procedure for the Constitutional Court judges being adapted to the principle of majority rule, and the consequent election of politicians with government leanings and cadres with proven records of loyalty—though lacking any background in the norms of fundamental rights—was in itself a drastic blow to the constitutional apparatus established after the change of regime. This is particularly so because it had been

grounded in the principle of direct constitutional control of the legislature, in line with the traditions established in the second half of the twentieth century in continental Europe. It is no coincidence that the earliest, most determined political attack upon the system was concentrated on this area, essentially deciding at that juncture that **the legislature would be laid open to political transformation**. No attempt was even made to reshape the apparatus of public law and governance in keeping with the traditional constitutional barriers. The chosen course of action could not have solely been determined by past experiences of right-wing governments; the will to wield power that is in principle incompatible with limitations on that power also played a role. The foundations of the regime built on public law are now firm, and this makes it plainly apparent that the rule of law based on the principle of checks and balances of power has fractured irreparably. Not only the institutional pillars of the constitution, but the very intellectual, ideological, and symbolic grounds of constitutionality have been left in ruins. This state of affairs necessitated the Fundamental Law, with a row of murky ideological concoctions giving it a tense backdrop, relieved by laughable attempts to propagate them. It does not matter if the latter is a failure, or if the system of national cooperation will never be able to effect notable changes, or show up in the behavioral preferences of social groups. Its mission was complete by having violently brought to consciousness the demise of the past, the **end of a constitutional culture whose social base of support was weak** though built on rights.

The main goal was to free the legislature, to ensure its political accessibility to the autocratically structured party with a two-thirds majority in parliament. The rest of the elements of public law that are usually considered a counterweight to power, including judicial independence, are secondary. What is significant is that it did not take an electoral term for everyone to become conscious of the fact: there is no room for autonomy, and any limitations to the will of those in power are not acceptable. It became clear in every segment of the public law system, irrespective of its structure in principle, whether of a political or apolitical, government or independent status, from the bureaucracy to the offices of the judiciary that the regime, run by decisions from the center, and built practically on a single person, could not be substantially curbed. Somewhat similarly to how a mafia boss at the peak of his powers would publicly and spectacularly humiliate the law enforcement authorities, so everyone can see who is in charge, whose lead must be followed.

The increase of efficiency, which legitimized, among others, the **structural reorganization of the judiciary**, has filtered through as the legitimization of the government as a whole and become an all-consuming expectation. It has trumped the observance of the law and other restrictive principles, and its interpretation has been simplified down to everyday decision making, or a statistically presentable—in other words, politically employable—layer. While it appears as a demand for efficiency, loyal leaders use it to enforce political intentions. The operation of more sensitive apparatuses, such as the work of the judiciary, if its regulatory and organizational framework were based on the same requirements, would underperform even on a medium range. Political and expert opinion with commitment to the rule of law, both from within Hungary and abroad, were focused primarily upon those aspects, which seriously weakened the system of checks and balances, and as a whole gave government unlimited power. Therefore, constitutional justice, the power of the judiciary, and public channels of communication (media) received more pressing criticism. The main issue, however, remains the internal logic of the regime as a whole. This logic can be felt by teachers, forced back into a centralized system, just as well as by those working in the state apparatus, and its effects reach well beyond the public sector. The state regulations, now unfettered of control by the rule of law and professional expertise, have left participants in the private sector just as vulnerable as the public sector. **The reformulation of the nature of state regulation** plays a key role in the propagation of the internal logic of the regime.

The Point of Absolute Power

By the argument of those in power, the basis of the rejection of power sharing and checks on power is legitimized by a parliamentary majority, election results giving the government a two-thirds majority. This argument is not satisfactory, however, for as we are painfully aware, the above institutional means do not obstruct the dissolution of the rule of law. The question that begs an answer is: Why does the mafia state need such a legal system? What is the point of a pliable legislature?

The intentions of the government can be realized immediately—when realization is equated with the formulation of political will in legal regulatory terms. Realization in social terms is more complex. The frameworks

established in this way are prone to grave deficiencies, particularly in the field of realization within society, in spite of short-term, superficial successes. It follows that **the government effectively has a mandate to do just about anything, without this having been formally authorized by an empowering act or some sort of extraordinary situation.** The two-thirds majority and the elimination of the external and internal checks on legislation, along with the autocratic structure of the ruling party, make this possible. In practice, especially in this region, the assumption that the activities of executive powers can be limited, or at least overseen, by parliament has never been substantiated. The instruments serving such purposes in principle (such as parliamentary committee hearings, standing committees, interpellations, questions, votes of confidence) were never applied to this task, and they were merely the insignificant toys of the political sphere. With the exception of a few traditionally strong parliamentary systems it is generally accepted that in party-based democracies the ruling party has hold of the parliament, and not the other way around. To any observer of the process of the leader of the party selecting his delegates as he prepared for a term in office, the role of parliamentarism in this regime was clear. The aim, in all aspects, was to select individuals who were fully subordinated to the will of the party, who not only conform to the formal standards of party discipline, but submit themselves to individual commands coming from the appropriate positions in all instances.

The autocratic structure of Fidesz, built on power concentrated in a single hand as it had evolved over time, **led to a singular organization homology** with the aid of the two-thirds majority in parliament. The party shaped the state administration to its own image, and partly merged with it. The same purpose dictated the wholesale, blatantly political selection of the bureaucracy, the operative use of the fear that stemmed from this, the enforcement of loyalty, and a relegation of professional matters to the background. In this sense the power structure that has evolved can be likened to the power relations that worked in the earlier phases of the one-party state prior to the change of regime. The current role of the prime minister, the mania for personal, immediate control over the whole system, is steering the way in which the state works toward complete irrationality.

A power structure of this kind can destroy the foundations of confidence in no time. In Hungary, however, the reconstruction of the party state was carried through relying upon an earlier crisis of confidence. There was not much to destroy; the two decades since the change of regime were

not capable of stabilizing the ties of confidence between state and citizen, the civil autonomies had not gained strength, the legitimacy of expert opinion had not been continuously respected, nor had professional and ethical standards come to form a determined backbone. No effort to break it was needed. The hiatus of institutional confidence and integration built on social confidence almost naturally gave way to a mafia-based mode of organization, the **centralized nepotistic network**. **Thereby the centralization of state executive power mirrors and feeds into the system of limited trust based on the family.**

Due to the weakness of social confidence, and support for independent institutions, and a frequently experienced professional insecurity, the immune system of the institutions of the rule of law was already in ruins. Built on these ruins, the alternative to the rule of law promised efficiency, order, and security. This model of state power is given its coherence by centralization, its political ideology by the “central field of power,” and for its essence it has a radically centralized decision-making mechanism at its core. This is operated as a means to ensure that corruption can be organized and directed from the center. The institutions of state control (from tax authorities through the system for overseeing public funds, to the array of superintending entities) can be employed to ensure the smooth distribution of resources and elimination of competition. Friends’ business ventures would never have to fear inspections of any kind, as the state apparatus is paralyzed against them in return for adequate remunerations, while business and other organizations that are in the circle can be cornered, ruined through institutional overdrive, selective interventions, or show processes. A lesson learned from the political attack of the government upon the civil sector shows that this method works not only in the economic sphere. The existence of criticism, oversight, or balances to power are made unintelligible. The constitutional checks are seen as simple, unnecessary obstacles, while the balances of power are unacceptable, as they all merely sabotage the realization of the common good.

Excessive or Mindless Legislation

A regime operating unchecked will inevitably fuel mindless legislation. Without constitutional guarantees and barriers, professional rationale itself disappears, and the leviathan is unbound. But how does this happen?

The most striking peculiarity of Fidesz's legislative activity is its **hyper-activity**. On one hand, this means extension of regulatory areas, and on the other, a great volume of quickly changing legal norms. Not only do new laws have to be brought to govern everything, and any of these be entered into the constitution, but anything can be amended, rewritten, or changed in part or as a whole at any given time. Of course, this takes place with no attention to constitutional or dogmatic principles. As the classical one-liner of parliamentary supremacy has it, the parliament can do anything except make a woman into a man. In Hungary, however, the removal of the constraints on legislation, the marginalization of the Constitutional Court, the intimidation of the law courts, the discontinuation of involvement of professionals, and social consultation in preparation of draft laws has, rather than serving to strengthen parliamentarism, meant that **parliamentary legislation has been forced into a servile role**. It must, of course, also be noted that these matters were certainly not well handled over the preceding two decades either: there were serious problems in taking social debate seriously, as well as in the professional preparation of laws, often even the outsourcing of the formulation of draft proposals for laws, invisible lobbying, and the apparent political compromise of decisions taken by the Constitutional Court, not to mention many miscarriages of justice influenced by power. In a word, the present regime could count on suitable foundations in this field as well.

A similarly conspicuous feature applied by the regime is **legislation by MPs**, a trend of cynical hypocrisy, a total mockery of parliamentarism. Significant laws have been enacted by proposal of individual members of parliament, norms regulating the media, electoral law, or the functioning of the parliament among others—notably, the basic institutions for the formulation of democratic will. No one could seriously believe that in complex regulatory matters, politicians selected on grounds of political loyalty would be capable of anything more than participation along the party-political line. The preparation of laws is not a party-political activity. Mafia organizations are typically incapable of accepting norms that have not been determined by them. The boss sets the rules, and for no other reason than the pure factor of domination: the reason that the boss dictates the rules is that he is the boss. If necessary, the old rules can be rewritten. If need be, their own rules can be changed. No other rule exists than the current hierarchic command. Of course, proposals by individual MPs serve only to bypass the prior professional and social consultation. **The political client**

behind the motion is easily identifiable, but in the course of preparation this form of legislation is wide open, in a way lacking all transparency, to negotiators of economic interests who are close to the government. The bargaining system shared by politically handpicked market actors is embedded in the legislative process of preparing the laws.

The excess of legislation is reminiscent of revolutionary lawmaking. It is actually revolutionary in as much as it is built on the complete rejection of the foregoing period, a sense of a total political mandate to replace the legislative structure as a whole. This mandate is not total, however, not even in revolutionary situations: total rejection leads to negligence of both the professional norms of legislation and the internal specificities of the legal system, as well as problems with coherence. The sort of **instrumentalism** that views legal regulation as an unlimited tool for social regulation and does not take account of professional, moral, and constitutional limitations has a strong tradition in the long nondemocratic history of Hungary. Law pressed into an instrumentalized role is necessarily prone to casuistry, **too much detail in regulation**. Everything, down to the smallest detail, must be formulated normatively to make certain that a given political intent prevails. In instances where it no longer does—such as when a person in the office whose powers the regulation addresses change—the law must also be changed. Two consequences of this form of regulation are: a constant barrage of rapid changes are required, the more detailed the regulation, the more that will be the case; and that legislators strip implementers of the freedom to interpret these laws, thereby preventing interpretation of a concrete regulation in terms of the whole legal system and its principles. The result is a radical degradation of the law to a primitive level. Open political attacks by the government on judgments not to their liking stand symbolic witness to the **deprivation of the implementers of the law of their autonomy**. The promoted administrative model is extremely centralized organizationally, and it is politically vulnerable. The position of overseer within the juridical body is filled by a reliable cadre picked by the parliament, with essentially an unlimited scope of power in directing the middle management. Unfortunately, there are strong precedents in Hungarian legal culture for such tendencies where the mentality of the judiciary is concerned: the European courts' legal and constitutional principles and legal practice were slowly and sporadically integrated into the decision-making fundamentals of law enforcers. Political pressure, an administration degraded to servile loyalty, prosecutors pandering to politics, and a bureaucratic-formalist men-

tality in the judiciary makes for the sort of compound that invariably leads to political adjudication and the overthrow of independence.

Another trait particular to circumstantial and ad hoc legislation based on political instruction is **wanton disregard for unwritten norms**. At the highest level this indicates a rejection of the validity of constitutional culture, the “invisible constitution,” demonstrated politically in the legal nonsense, which seeks to “revoke” the earlier activity of the Constitutional Court. In terms of long-term consequences, however, the truncation of legal culture is even more serious, as the unwritten codes are also important components in the regulation of everyday behavior. Formal law and the way it is approached is in many ways a model, a pattern for the rules of coexistence in society. The erosion of unwritten norms that belong to the process of formal law can have a destructive effect upon the multilayered world of social norms.

An accelerated, turbo-legislation seriously endangers the traceability of behavioral norms, as the legal norms become unintelligible or simply hidden to those concerned. The forced collation of various regulations that are different by nature and do not belong together, in the same law, inserts messy “**omnibus bills**” into the legal system. These undermine reliability, and in the final run, legal security. States that do not adhere to the rule of law typically conceal legal standards, leave their scope uncertain, fluctuating, and the whole legal system completely open to political interests. The last-minute proposals for amendments submitted directly before the vote also disturb any coherence of formulation that the draft may have carried, and even make interpretation of the text of the law impossible by enacting conflicting precepts. The **last-minute amendments** are also indicative of a complete political dependence that invariably advances political will to the detriment of professional rationality. Ultimately the legal system simply comprises a collection of formulations of current political will in the shape of laws. The most absurd form in which the legal system has been targeted by politics is **individualized legislation**, deployed since the inception of the mafia state.

Everything described above serves to **establish a system of vassalage** at the helm of public institutions. **Trust is always reserved for individuals, and never for institutions or general regulations**. Rules are always secondary, in deference to the dominance of a specific informal norm as condition for the validation of legal norms: the informal norm being loyalty to the party and its leader, and conformity to the government’s will. The basis of

functioning under a rule of law is impersonal trust. The familial, fraternal system of trust that has taken its place has not only institutionalized the cozy and manageable set-up of those belonging to the family—chosen or adopted by the leader—as opposed to the outsiders (a corrupt, Eastern version of the friend-and-foe dichotomy), but also excludes in the long term any possibility of a consensus, or the legitimation of professional considerations. All that goes on within the family is not corruption, but the normal functioning of the system; there is no other way to redistribute wealth. The system of personal power (**paterfamilias**) also means that the system is only capable of working according to its own norms. The internal checks within the legal system, or external limits for legislation, cannot be brought into accord with the mafia-like formation. Instead, the state apparatus is now served by an order of its own nobility, a school to train an elite infantry—to ensure a culture of militancy and reinforcements—as well as a dreaded process of selection and employment for cadres. Only an unscrupulous enforcement of loyalty under all circumstances is compatible with the principle of all power being vested in the leader; suitable public servants must be trained, which is the aim of the current remodeling of higher education.

The Economic Benefits of a Legal System in Disarray

While a truncated legal system will unsettle compliance with the law to a critical degree, the conditions of civil, entrepreneurial, and organizational innovation suffers through the lack of predictability and loss of institutional trust, leaving those who are close to the powerbases that can influence regulation to enjoy the economic benefits of the new system. **The legal system becomes the instrument of manipulation and market distortion in the hands of the fraternal network around the state elite.** In terms of political logic, centralization is an essential element in the regulations brought by an autocratically wielded power, enabling the simple realization of wishes and economic advantages, the redistribution and mainstreaming of resources harvested from corruption. This distortion of competition boosts the monopoly of a wretched nationalist mediocrity and turns a great profit for the decision-making, legislating, and freely reregulating political center of power. **By means of a system of monopolies dependent on the state decision maker, corruption, the vulnerability of the legal system, and an all-round vulnerability to the masters of the state are simulta-**

neously propagated. According to the logic of this all-pervasive centralization, paternalism and etatism, a grip on state power means an absolutely free hand concerning the legal norms, ownership of the country, and in disposing of public goods. This means the freedom to, in a wholly practical sense, appropriate public property, and in ideological terms, to formulate public interests. In comparison to this, the fact that the “boss-in-chief,” who takes final decisions on all matters, chooses to rule in a world of all-round personal indebtedness, blind obedience, and ritual sharing of toasted sunflower seeds only adds a touch of Eastern color to the structure of the mafia state. Participants in the economy are obliged to tolerate the fact that the aim of the strategic agreements is also to connect them directly to the prime minister’s office, at great expense to be sure, but as the only means of access to economic opportunities.

Therefore, rather than economic constitutionality, the economic rational of legislation is a redistribution of material, power levied, and political and symbolic resources. The nationalization of companies makes it possible to politically select and blackmail the owners of private companies. First, private ownership has to be brought under suspicion ideologically, an effort with wide social support. Through appropriation of the state, companies with an ownership close to Fidesz have acquired an exclusive status, having been elevated from the Fidesz circle of interests to state-favored companies, essentially the tools for diversion of public funds. The organs of the state (enforcement agencies, tax authorities, the prosecutor’s office) are instrumental to cornering, blackmailing, or disabling economic and political opponents.

General Characteristics of the Law under the Mafia State

With a review of the literature on nondemocratic political systems, the basic components that characterize the present Hungarian legal system are easily recognized. It also follows from the overview that this is not a discrete variable: the reality of stages between democratic and nondemocratic systems—those based on the rule of law and those not—is rich in color. In the same way, there are significant divergences to be found in the concrete institutional realizations of the rule of law. In instances where political solutions denying the rule of law are applied, it is a regular claim that the chosen institution, process, solution, or regulation can also be found in

developed countries under the rule of law. This is why, in addition to a concrete institutional analysis and with a basis in this analysis an evaluation of the whole legal system must be undertaken, including an exploration of its general traits.

One of the most widespread characteristics of the legal system of non-democratic regimes is that while seeking to exclude all parallel norms and dismantle the plural structure of the law, it makes official law conditional upon the acceptance of the **political-ideological shadow law**. The written, codified law only prevails if it is compatible with the interests of the political powers that be, so prevalence is uncertain and positive law loses its stability, with immediate changes to the law or enforcement called into question if political will is lacking. This is the case with law completely exposed to and dependent on politics. The existence of a shadow law is indicated by the political and immediately following legal treatment of decisions by the Constitutional Court deemed to be unfavorable, as well as the political criticism and suppression of unsatisfactory court rulings by legislative means.

Totalitarian regimes are prone to consider **law as a freely accessible means for the alteration of society**. Overtly programmatic elements are thereby added to law, in order to forcibly alter social processes without taking them, or the consequences of these laws, into account. Ideological components, the Fundamental Law, and the documents of national cooperation suggest that a will to comprehensively transform society and a blurred image of society are the motivational force behind such legislation. The consequence for the legal structure is, on the one hand, that it is loaded with unviable notions, and, on the other, that such experiments as the attempt to reinforce the national middle class as a justifiable sociopolitical goal legitimizes the redistribution of state resources, and even the selection of the private owners.

In dictatorial, single-party systems **the rights framed in the constitution only play the role of a façade**; they do not hinder politics from shaping the law. The source of the law is actually the leader in command, the party (leadership), considered as givers of the Fundamental Law and thus the standard for interpretation of the law. The constitution loses its stable, normative content, it can be rewritten at any point as a political document of institutional regulations and unenforceable rights. This is apt for a political culture in which it is only natural that rights are not available to all, they can be revoked, their validation is incidental, with obligations to the state predominant, and they are prerequisite to an access to rights, while it is expe-

dient to skirt, keep at a distance, or altogether treat as foreign elements the regulations applying to the state. Traditionally, there is a wide gap between normative perception and reality in Hungarian legal culture, and politics rooted in this gap activates the routine, behavioral elements and attitudes that were in existence prior to the turn toward the rule of law.

In nondemocratic legal systems there is a strong **inclination toward keeping laws in the dark, for secrecy, covering things up**. Manipulation by the powers is eased if those affected are not sure what regulations affect their activities. Vulnerability is further reinforced if regulations brought specifically for individuals distort general applicability, whenever the universal norms are undermined, or the implementation of the law becomes unclear. The secrecy of a legal norm is not only achieved by making the text of the law difficult to acquire, but also if the persons applying the laws cannot find their way in an increasingly chaotic, untraceable, changing set of laws, and becomes uncertain. This sort of justice impels citizens to avoid taking legal recourse.

The bureaucracies of nondemocratic systems are built on **personal subordination**, the building blocks of political loyalty and existential vulnerability. Professionalism is relegated to a backdrop, giving way to unquestioning loyalty or the rituals of loyalty. As a result, professional standards drop precipitously and the counterselection of personnel becomes the natural practice of state organizations. The unsettled bureaucracy provides fertile ground for direct realization of individual political resolves, the activities of political commissars.

The nondemocratic legal systems typically operate with a humiliated judiciary that has been forced into a **subservient role**. In comparison to the state apparatus, selection mechanisms and the organizational structure of the law-enforcement authorities in principle provide shelter against direct political and economic influence. Under authoritarian regimes, where these limits must be respected in formal terms at least, the lines of attack are the heavy centralization of the organizational system of judges and political pressure in regards to the leading positions, as well as the symbolic retraction of legitimacy as concerns the whole of the judiciary. The forced retirement of judges, the retroactively calling into question of rulings by judges, and the provision of a centralized organizational scope of powers beyond the extreme for individuals openly selected on political grounds are tools that can be considered attempts at institutionalization of juridical power without power sharing and subject to political regulation.

Nondemocratic systems usually present law in general, and the **practice of law** in particular, in a negative light, while, if their interests demand, they use the ideology of invoking the law. Legal regulation, the terms of the law, are important until they serve the immediate interests of the group in power; any reference to the principles of law, the inner coherencies of the law, or external legal barriers is seen as unnecessary niggling, as politically adverse behavior. The laws of the past are seen to be of a lower order than the regulations brought by the new regime. Stability can also be diminished by means of the illusion of revolutionary lawmaking, withdrawing legitimacy from prior legislation in general, while placing the ideological fundamental norms at the apex for purposes of interpretation. The preamble to the Fundamental Law with the ideology of national cooperation and a historical constitution, serve this goal, the whole of the legal system becomes vulnerable, exposed to politics, and the implementer becomes uncertain.

Nondemocratic systems **are built on the understanding that their reign is in the natural order of things, that there is no legitimate alternative, and so their mandate bears the force of natural legitimacy; it is unchecked and unquestionable.** Accordingly, there are no checks on legislation, either. Anything can be formulated as a regulation, there is no consensual constraint, and there is no need for compromise. A social support deemed homogeneous stands behind the regime and legislation, which means that all arguments to the contrary are set opposite to public interest.

Nondemocratic systems typically implement an **overtly repressive criminal code**, especially toward downtrodden social groups. As a primitive form of social policy, this offers an effective solution for dealing with social tensions—unlike democracies, which are both democratically “indecisive” and uneasy over rights and entitlements—and satisfies the desire for punishment, the punitive urge, which it has itself stirred up on the one hand. On the other, it creates an atmosphere of fear, sending a message of the criminal law’s applicability for difficult opponents and society at large. As a tool for instilling fear, an all too frequent application and severity of criminal law enforcement, along with a deliberate heightening of fears about criminals, causes a diffuse sense of anxiety, which then licenses further tightening of criminal law.

Nondemocratic systems **deny the autonomy of the law**, its internal development and regularities. They rescind on the freedom of interpretation of the law, allowing only for interpretations that cohere with the monolithic, reigning will. The prevailing norms of various social groups,

autonomous social entities, the competitiveness of norms, that is, the law as it is lived, cannot be integrated into these systems.

The sum total of these traits strip nondemocratic legal systems of the flexibility characteristic of the modern legal systems, the security of principles, and the reliable interpretations guaranteed by their being grounded in rights. For this reason, they are at essence **internally fragile**. This fragility does not inevitably lead to collapse, but certainly does lead to a radical dissipation of the regulatory efficiency of the legal system concerned. Those regulatory areas that require state intervention—of various, legally formulated kinds—are usually complex and cannot handle these incidental forms of politically exposed, constantly changing, and interpretation-opposed regulation. The internal coherence of the legal system is overturned completely if its intrinsic autonomy is compromised, competencies foreshortened, independent statuses eliminated, selection of candidates for posts politicized, and independent decisions questioned. The systematic dismantling of the strictures on legislation disrupts the coherence of positive law, the legal corpus as a whole.

Borrowing Adam Podgorecki's formulation, all of these consequences are tools of dark social engineering, and at the same time the components of the "dirty togetherness," organized along mafia lines.¹ As a whole, the loss of those traits of the legal system that belong to the rule of law suits the interests of the mafia state perfectly. All of the characteristics mentioned in the foregoing instrumentalize the state and its laws as a tool for the unhindered accumulation and redistribution of resources. **It raises the methods of the mafia to a state level.**

Conclusion

I have frequently referred to the social foundations and cultural roots of the law under the mafia state—its precedents. It may not therefore be irrelevant to ask the question: What could the permanent consequences of such a transformation of the legal system be? Those characteristics that can be eliminated with changes to the power structure, or repaired by meeting the expectations of the rule of law, are only superficial treatment for the compounded problems here described. The autocratic roots of the mafia state, its impact on social norms, and its traits that have come about or been strengthened in relation to the legal system and society may become per-

manent and be an obstacle to a deepening of social recognition for the rule of law. The state–subject relationship built on evasion of the law and mistrust and weighed down by corruption was not brought about by the mafia state, but it has made the escape from these impossible by basing its very existence upon them.

NOTE

- ¹ Adam Podgorecki, “Totalitarian Law: Basic Concepts and Issues,” in *Totalitarian and Post-Totalitarian Law*, ed. Adam Podgorecki and Vittorio Olgiati (Aldershot: Dartmouth, 1996), 29.

Bálint Magyar

The Post-communist Mafia State as a Form of Criminal State

I.

If we want to understand the nature of corruption as a governance regime, we have to clearly distinguish between three evolutionary stages of corruption.

The **first** evolutionary stage is the simplest—so-called day-to-day corruption. It is characterized by scattered, sporadic, face-to-face corrupt transactions involving players in the economy and of the public authority.

The **second** evolutionary stage is when corruption ascends vertically to reach the higher layers of governance. These are not just occasional transactions—they show signs of being a regular practice. The cooperation of players becomes more complex not only on the side of corruption supply, but also on the side of corruption demand, namely that the corruption partners on the side of the economy are in many cases oligarchs or criminals of the organized underworld. (We need to distinguish between the abovementioned two groups: while *criminal organizations* carry out illegal “economic” activities supported by an illegitimate access, *oligarchs*, on the other hand, usually conduct lawful economic activities, but mostly with illegitimate access.)

This evolutionary stage is known today as the realm of state capture, because we can speak about this phenomenon when only certain segments of the public authority are captured and not the governmental structure in its entirety.

Within this evolutionary stage the political competition may still go on, political power transfer is still possible under constitutional circumstances, and the oligarchs still maintain their relative autonomy, as they are

not tied infinitely to certain political actors. Both sides can enter and leave the corruption transactions relatively freely.

In organizational criminology, this stage is referred to as “state crime,” which can take the form of corporate-facilitated state crime or state-facilitated corporate crime, depending who is the dominant or initiating actor.

In the case of the **third** evolutionary stage it is not appropriate to talk simply about “state crime” as the phenomenon that we see takes place in what is already a criminal state. It is not just that oligarchs or the organized underworld have captured the state—it has, instead, become a political enterprise. The organized upper world has captured the economy, including the oligarchs themselves. We can see this in **some post-communist countries**: e.g., Hungary within the EU, Montenegro in the Balkans, Russia, Azerbaijan, and some Central Asian countries that are former Soviet republics. This evolutionary stage is possible when two conditions are met: the monopolization of power by one political actor, accompanied by the systematic surrendering of the institutions of checks and balances. The second condition is the lack or practical nonexistence of private property during the regime changes and the extensive distrust as privatization happened in these countries.

The emerging post-communist criminal states, where the governance bears the features of a criminal organization, can be described as **post-communist mafia states**. It is nothing less than the privatized form of a parasite state. In this case, the central bodies of the state itself operate in concert as a criminal organization, as the organized upper world.

Let us briefly summarize the **basic features of the corrupt criminal state**:

1. **The concentration of political power and the accumulation of wealth by the adopted political family occur in unison.** Public benefit becomes subordinated to private interests not occasionally but permanently, and in a manner that influences political decision making in a fundamentally determinant, systematic way.
2. **The alternation and systematic replacement of the political elite takes place in parallel with that of the economic elite.** These changes are not driven by the instruments of democracy and market economy.
3. With the legalized instruments of state monopoly of coercion, **the mafia state coercively extracts private fortunes**—sometimes indirectly through **different forms of nationalization**—to serve its own interests, and it redistributes this among clients of the adopted political family.

4. The corruption of the organized criminal upper world is neither a matter of incidental—even sporadic—backdoor dealing, nor an occasional irregularity or deviance, but centrally directed and rationally transacted plunder, a centrally carried out collection of protection money. For in the organized criminal upper world, **the concentration of power and the increase in wealth of the adopted political family cannot be operated in disjointed systems.** But while the traditional mafia reaches its objectives through blackmail, intimidation, and open violence, the spheres of influence in the mafia state can be shaped by the quasi-lawful instruments of coercion accomplished by public authorities.

5. Let us specify the **key players** in this type of the corrupt criminal state:

- The **poligarch** is someone who uses legitimate political power to secure illegitimate economic wealth—while his political power is visible, his economic power remains hidden. The poligarch manages his family business in the form of a political venture.
- The **oligarch** is someone who, from more or less legitimate economic wealth, builds political power for himself—in this case his economic power is visible, while the political power, if exists at all, remains hidden.
- The **stooge** is someone who has no real power, neither in politics, nor in the economic sphere, but is a bridge over the gap between the real nature of power and its required legitimacy. So he formally serves as the middleman between the legitimate and illegitimate spheres for the public.
- The **corruption broker** brings the partners of the corrupt transaction together in the role of mediator or expert lawyer. When the monopoly of political power is created, the criminal state surrenders the corruption brokers to the adopted political family in a strict order.

6. **Decisions are taken outside the competence of formalized and legitimate bodies** of democratic institutions and are brought in the topmost, tightly knit informal circle of the adopted political family.

7. Formalized and legal procedures give way to material and arbitrary actions. The head of the executive power does not govern, but illegitimately disposes of the country as if he owned it. State institutions, including the parliament, the government, the tax offices, and the prosecutor's office do no more than rubberstamp decisions and attend to the bookkeeping. They become the institutions of a politically selective law enforcement system.

The “**law of rule**” substitutes for the “**rule of law**.” Proper jurisdiction is replaced by the arbitrary practice of justice. Legislation is no longer the field of lawful, normative regulations that are valid for all and brought to bear upon all equally, but a place where laws are tailored to fit the needs of those in power. **Equality before the law has been replaced by inequality after the law.**

8. In place of legally protected autonomous positions, a **patron–client chain of vassal relationships** comes into being, which results in the liquidation of the grounds of individual autonomy and the forcing of existences into an order of dependences.

9. This new form of vassal dependency should not be called feudal or patrimonial, because **the material nature of power and its formal legitimacy do not converge**. The gap between them is bridged by state coercion and hypocrisy using quasi-democratic procedures by restricting civil rights, constraining the freedom of the press, and manipulating electoral democracy. It is neither a liberal democracy nor a dictatorship.

10. **The mafia state is not ideology driven**. Rather, it builds on various ideological templates that suit its political agenda. While inconsistent in terms of public policy expertise, emotionally it remains consistent. This is also its strength: it resists rational critique. The coherence of its values is ensured by the **cultural model of the dominance of the head of the patriarchal family**.

II.

Organizational criminology has systematized criminal acts according to the type of organization that commits them.¹ It differentiates between corporate crimes and state crimes, but acknowledges that government and business may occasionally collaborate, and even directly encourage and assist each other in committing certain crimes. Three separate categories follow from this: state-facilitated corporate crime, corporate-facilitated state crime, and state–corporate crime, which occurs when the two act together on an equal basis. “**Governmental crime**—or crime that occurs within the context of government—is the principal cognate form of white-collar crime. **State crime** (or crime of the state) is macro-level harm carried out on behalf of the state or its agencies; **political white-collar crime** is crime carried out by individuals or networks of individuals who occupy governmental positions and seek economic or political advantage for themselves or their party.”²

Just as **state crime** exists, so does the **criminal state**, which is a state that systematically, deliberately, and perniciously violates and impairs the fundamental rights of its citizens. Within such a state, both the various economic entities that depend on public procurements and tenders, as well as civil society organizations are interwoven very tightly within the state and government. Rather than acting independently of the government, in reality they function as political puppets and serve the interests of power. In such cases, those involved in corrupt activities and those playing roles in the repressive regime are connected to each other in manifold ways.³ It is possible to classify these kinds of states according to their main criminal activity. Consequently, one can differentiate between a “**criminal state** with a central project of a crime against humanity,” a “**repressive state** with a core project of systematic denial of basic rights to citizens or some group of citizens,” a “**corrupt state** with systematic looting of the state for the benefit of the leadership and relatives or associates of the leadership,” and a “**negligent state** characterized by a basic failure to alleviate forms of suffering that the state could address.”⁴ A criminal state, of course, may be characterized by different combinations of the “state projects” listed above.

1. Hungarian Law on Criminal Organizations

According to the Hungarian Criminal Code, “**criminal organization: a group of three or more people, formed for an extended period of time and acting in concert, with the objective of [...] intentionally perpetrating criminal offenses.**”⁵ In applying this law, “acting in concert” means that the members of the criminal organization “**share tasks related to criminal activities,**” which “**obviously presumes prior planning, and a certain degree of direction and organization.**” A legal harmonizing resolution by the Supreme Court of Justice in 2005⁶ also provides guidance on understanding the functioning of a criminal organization for different specific trial situations, as follows:

- A criminal organization is qualitatively different from simply individuals acting together; the **criminal organization itself has to be formed for an extended period of time, and must act in concert.**
- “Acting in concert” is a conceptual component of the **criminal organization**, which, in terms of content, is none other than the **mutually reinforcing effects on those acting in it**; however, the existence of acting in concert does not follow from being in direct contact with

actors in a criminal organization, nor specific knowledge of other actions nor the identity of other actors; behavior as a **member of a criminal organization** can only be attributed to a perpetrator who has engaged in activities in a criminal organization formed by a division of functions, and in a manner based on superiors and subordinates, with full knowledge of the organization, and collaborated while in constant contact with its members.

- The existing provisions of the Criminal Code do not distinguish among the **hierarchy** (or “posts”) of **actions within the criminal organization** in terms of their activity or intensity, as these conditions are only considered during the sentencing phase.
- A person outside of a criminal organization does not become a member of it by receiving a contracted job from the organization, as integration into said organization requires knowledge of the organization’s inner workings and active involvement within it; a clear distinction must be made between substantively judging a criminal act committed as a member of a criminal organization, and **a criminal act committed on a contracted job from a criminal organization (or any of its members)**.
- If there is evidence that a criminal offense was linked to the operation of an actual criminal organization, or committed within the context of such, then due to the conditions it was carried out—particularly due to the nature of specific behavior presuming the prior or later **linked actions** of others, and due to events that are necessary and therefore likely to occur, it can be concluded that the action of the occasional perpetrator (participant) is recognized at the time it was carried out as being committed within a criminal organization.

This language is clear. Although the legal harmonizing resolution grants a unified interpretation of human trafficking, prostitution, drug trafficking, and other classic activities of a similar nature in the organized underworld, neither the Criminal Code nor the definitions in the resolution exclude the possibility of applying these provisions in cases where a large part of the members of a criminal organization are leaders at the highest levels of public authority institutions. In fact, it does not even exclude this from being the element that moves and defines the criminal organization, which is not the organized underworld, but the organized upper world itself.

2. The Palermo Protocols

The Palermo Protocols against transnational organized crime, adopted in 2000 by the United Nations and ratified by Hungary in 2006,⁷ also do not rule out the narrative that the struggle might not only take place between the organized groups in the underworld and representatives of state authority, but that the representatives of the state can themselves form the core of the criminal organization.

Following the Palermo Protocols, the Council of Europe's group of specialists on organized crime (PC-S-CO) also defined the criteria that, when present, provide evidence of a **criminal organization**. Their definition includes both mandatory and optional criteria. As will be seen, the criteria used by the expert group to define the mafia, or the organized underworld, which also regulates Hungarian criminal law, may also be used to describe the organized upper world, or the functioning of the mafia state. The Protocols distinguish between mandatory and optional criteria as follows:

Mandatory criteria:

- Collaboration of three or more people
- For a prolonged or indefinite period of time
- Suspected or convicted of committing serious criminal offenses
- With the objective of pursuing profit and/or power

Optional criteria:

- Having a specific task or role for each participant
- Using some form of internal discipline and control
- Using violence or other coercive means suitable for intimidation
- Exerting influence on politics, the media, public administration, law enforcement, the administration of justice, or the economy by corruption or any other means
- Using commercial or business-like structures
- Engaged in money laundering
- Operating on an international level

3. The Mafia State as a Type of Criminal State⁸

It should not be particularly difficult even for the lay reader to see that the mafia state assigns its most suitable persons and events to these cri-

teria. “What is picking a lock compared to buying shares? What is breaking into a bank compared to founding one?” asks Mack the Knife in Brecht’s *Threepenny Opera*. In terms of the mafia state, one might ask: What is law breaking compared to passing legislation? What is robbery compared to the expropriation of property through laws and decrees? What is abuse committed by one’s boss compared to centrally planned purges? What is hacking a website to illegally depriving someone of their radio frequency? And one can keep going down the list across all areas of life, where it is evident that the institutions of public authority are not the guardians of legality and equality before the law, but just the opposite: institutionalized bodies serving the arbitrariness of personal interests.

The question is no longer how it should be interpreted in a legal sense when “three or more people collaborating”—unlike the presumably original expectations of Hungarian legislators, or the Council of Europe’s group of specialists—does not mean the underworld mafia, but the organized upper world, sometimes even those with official duties. The question is: How can the machinery of justice be put in motion at all in a mafia state? How can society and the immune system of public authority that has not yet been destroyed completely be activated? The answer to this would naturally go beyond the “descriptive” and “understanding” genre of sociology.

The central figure in the criminal state is not an arbitrarily structured power elite with an incidental culture, but, in the case of the mafia state, the adopted political family with powers granted by the patriarchal head of the family, which are then extended to the entire nation through illegitimate means from a supreme, narrow group of decision makers, working as a nonformalized, nonlegitimate body. In this case, **the agent of action, the criminal organization perpetrating criminal offenses, is the “polipburo” itself**, in which some members have senior-level public authority duties at the very top of the branches of power, including all of their key institutions. But there are also “advisory” members that have not been incorporated into the institutions of public authority, as well as trusted oligarchs and possibly their stooges as well. Perhaps a dozen or two individuals make up the “polipburo” of the mafia state. (While the “politburo” was the top-level body of the bolshevik-type communist parties, Fidesz has no politburo; its highest formal organ is the Presidium. The actual top power center is an informal close network the virtual feelers of which are like arms of the **octopus** (*polip* in Hungarian), which was also the Hungarian title of the film series *La piovra* about the Sicilian mafia screened to wide acclaim in

Hungary during the 1980s.) The criteria for a criminal organization applies to them: “three or more people,” “a group formed for an extended period of time and acting in concert” that has a “hierarchy” and “mutually reinforcing effects on those acting in it,” and includes “the objective of perpetrating criminal offenses,” “dividing up tasks” required for this, and, if necessary, “contracting” persons outside of the criminal organization.

From among isolated violations of the law, the contours of relationships in the mafia state are outlined by the **linked actions** of organized crime. These include acts that are unlawful in and of themselves (such as extortion, fraud and financial fraud, embezzlement, misappropriation, money laundering, insider trading, agreements that limit competition in a public procurement or concession procedure, bribery, bribery of officials—both the active and passive forms of these last two criminal acts—abuse of authority, abuse of a public service position, buying influence, racketeering, etc.) combined with acts that are not unlawful in and of themselves (such as motions submitted by independent parliamentary representatives, instigating tax audits, etc.).

3.1. Criminal organizations expropriating property—The example of an outdoor advertising company

A linked action may consist of a wide variety of situations as described above. Let us demonstrate the action of a state-sponsored criminal organization with the example of an outdoor advertising company, ESMA, in the context of the criminal law mentioned above. With ministerial collaboration, an offer is made to the owner of ESMA to purchase the company. The potential new owner, who belongs to the leading oligarchs of the adopted political family, is named. ESMA’s owner does not accept the offer, upon which the tax authorities appear at his door as a means of persuasion through nonphysical violence. This still does not convince the owner of the desired company to rid himself of his property, upon which, again as a means of bloodless violence, an ad hoc legal amendment proposed by a parliamentary representative and adopted by the parliament deprives the company of its concession-based activities. The company’s value begins to drop precipitously, and as a final step, a second amendment exempts his rival from any possible negative consequences stemming from the amendment that destroys the business in question. The entire operation takes place within a very short period of time. After the company is starved for

several years, the owner sells his hopeless business, at which time the godfather's new, favorite oligarch then makes an offer for it at a moderately depressed price. As expected, the discriminatory legal provision that made the business impossible to run is also repealed by the parliament, so that the new oligarch, who is loyal to the godfather, can operate his firm at full capacity. Unlike the traditional mafia, public authority in Hungary uses bloodless means to enforce its will.

This case bears the characteristics of **the activities of a mafia state** criminal organization. The actions have been the following:

- Persons intentionally commit criminal offenses (extortion, abuse of authority, etc.).
- Persons act in concert, as a wide range of the branches of power (ministerial, governmental control and law enforcement institutions, the legislature) and individuals (the oligarchs, the chosen beneficiaries who change from time to time) are required to coordinate their actions according to a specific schedule.
- The members of the criminal organization constitute a hierarchical group, where those who comprehend the entire operation are isolated from those carrying out the actions, each person just one step lower in the hierarchy (such as public servants conducting tax inspections, or parliamentary representatives submitting legal amendment proposals).
- Persons in the criminal organization mutually reinforce the effects of their actions, since they would not be able to reach their desired goal (expropriation of property) by acting independently.

3.2. Criminal organizations expropriating property—The example of slot machines and casinos

Since the autocratic system under study has been defined as a mafia state, it is only appropriate to illustrate the mechanism of change of ownership carried out by state coercion with the example of slot machines and casinos. The operation of **slot machines** (one-armed bandits) generating a tax revenue worth somewhere around HUF 70 billion (€220 million) was overseen on behalf of the authorities by the state-owned Szerencsejáték Zrt. It is worth examining the rearrangement of this branch of business step by step, as it was integrated into the political family's circle of interests.

Step one: In 2011, the rules governing the operation of slot machines, which are primarily located in catering industry premises, were revised by an unexpected amendment motion in the parliament. The monthly tax per machine was raised from HUF 100,000 (€330) to five times that amount, and the operators were obliged to change their existing machines to server-based machines by October 2012. As a result of the measure, the operators handed in 60% of the slot machines within a month of the amendment being passed.⁹ Their numbers decreased further over the next year: from 22,000 to 2,000.¹⁰

Step two: In October 2012 the operation of slot machines, as well as game rooms and electronic casinos, was banned by means of an amendment pushed through parliament in the matter of a couple of days. Only casinos were exempt from the measure and were allowed to continue operating. The ban also affected the approximately one thousand businesses that had invested in the server-based slot machines in line with the amendment that had been introduced a year earlier. According to the government, “the earlier measures had only achieved their objective in part, trying to ensure that those who lived in the most disadvantaged situations did not dump their money into slot machines, while on the other hand, serious national security risks had also been raised in regard to the activities of those with interests in the gaming industry.”¹¹ The government intended to make up for some of the losses in tax revenue that followed from these actions by taxing online gambling.

Step three: The casinos were exempted from the ban on the operation of slot machines, and the maximum number of machines that could be installed in one premise was set at three hundred. Then in 2013, the maximum number of casinos that could be operated in the country was set at eleven.

Step four: “Amending the law on gambling in the middle of November 2013, parliament decided that the minister for national economy could sign concession contracts for the operation of at most five casinos without making a public tender, but taking an exceptionally high concession fee, with those contractors whom he considers reliable. [...] The other important change in the November amendment was that the gaming managers could deduct the amount of the concession fee from the tax on the games. The Las Vegas Casino, one of Andy Vajna’s interests, is best served by this change: thanks to the amendment he could pay HUF 1.6 billion less to the state budget. In 2012 the Las Vegas Casino had paid HUF 1.1 billion in

gambling taxes at a rate of 30% on the net income of HUF 3.8 billion, as well as HUF 791 million as a fee for the concession. Thus, altogether HUF 1.9 billion was paid to the state. According to the new regulations they only have to pay about HUF 300 million in taxes.”¹²

Step five: In May 2014, of the eleven casino concessions that could be issued, five were granted in Budapest by the ministry for national economy to Vajna’s Las Vegas Casino Kft., while two were issued to Gábor Szima’s Aranybónusz 2000 Kft. for the eastern Hungarian cities of Debrecen and Nyíregyháza. All of these were issued in spite of the fact that the state-owned Szerencsejáték Zrt. had also applied for a casino operator concession. It seems Szerencsejáték Zrt. had proved to be less “reliable.” As previously recounted, Vajna, a former film producer, is the government commissioner who distributes state support for the production of Hungarian films and is a close confidant of Viktor Orbán. Szima, on the other hand, had been involved in the gambling business earlier and once owned the Debreceni Vasutas Sport Club, a successful Hungarian League professional football team (now his son owns the team). “According to the Ministry of National Economy they will pay HUF 4 billion in concession fees and HUF 1 billion in VAT toward the state budget.”¹³

Step six: The parliament, at the same time as distributing the casino concessions, made it possible for the casino owners to deduct the concession fee from the gaming tax, and even made it VAT exempt.¹⁴

Step seven: “With the involvement of Andy Vajna and Gábor Szima, the large international companies operating online casinos and card game websites—such as PokerStars or Bet365—could legalize their presence in Hungary. This opportunity is made available to the businessmen close to the government by the amendment, which was handed in by the cabinet to parliament as part of the omnibus bill on changes to the tax regulations for the following year. One item of the proposal would make it possible for the concession fee that is to be paid on the gambling games to be paid by someone other than the owner of the concession—a third party. This makes it possible for the fee to be paid from a foreign, perhaps offshore, company, out of funds whose origin is not clean. On top of this, the owner of the permit is still allowed to deduct it from the gambling tax to be paid to the budget accounts. Furthermore, according to the proposal, online card game websites and casinos can only be operated by people who have a Hungarian concession for the operation of casinos—i.e., currently Vajna and Szima.”¹⁵

Step eight: The taxes paid by the casinos owned by Vajna and Szima—unlike tax regulations on retail units—are based on self-declaration, because the National Tax and Customs Administration of Hungary does not really have an overview of the slot machines. On the one hand, the integrated online inspection device of the tax authorities was not fitted into these slot machines, which would have collected and recorded the data created in the course of its operation, and, secondly, there is no mention of the server-based network. So in this age of online cash registers, the state is completely in the dark where the income of casinos is concerned.”¹⁶ Furthermore, “various parties involved in this industry estimate that the income generated at Vajna’s five casinos in the capital should be around HUF 15 billion.”¹⁷

Step nine: All that is left is to launch the legislatively guaranteed money-laundering machine called the Stability Savings Accounts which enables poligarchs, oligarchs, and stooges to deposit disposable laundered funds under state protection.

This is how the adopted political family of the mafia state manages gambling and acquires casinos: expulsion, establishing monopoly, favoring friends in concessions, special tax benefits, state-supported money laundering. And not a drop of blood has been spilled.

This case bears the characteristics of the **activities of a mafia state** criminal organization as well. The actions:

- Intentionally perpetrating criminal offenses (extortion, abuse of authority, purchasing influence, etc.), causing serious damages to law-abiding companies that changed their machinery to server-based machines and causing massive losses in tax revenues directly by the uncommon and large-scale tax amnesty and indirectly by not enforcing the use of electronic cashiers connected to the network of the National Revenue and Tariff Office. There is no positive societal goal behind this law and it is clearly discriminatory since every other company in the country had to introduce the costly electronic cashiers.
- Acting in concert, as a wide range of the branches of power (ministerial, governmental) and individuals (the chosen beneficiaries) are required to coordinate their actions according to a specific time and sequence of events.

- The members of the criminal organization constitute a hierarchical group, where those who comprehend the entire operation are isolated from those carrying out the actions, each person just one step lower in the hierarchy (such as parliamentary representatives submitting legal amendment proposals).
- Persons in the criminal organization mutually reinforce the effects of their actions, since they would not be able to reach their desired goal (expropriation of concessions) by acting independently.¹⁸
- Involvement in money laundering, because both PokerStars and Bet365 are offshore companies that could benefit from the introduction of Stability Savings Accounts.

3.3. Criminal organizations expropriating property—The example of tobacco shop concessions

In other cases, the redistribution is not about possession of property itself, but the creation of arrangements in the private sector under which tributes can be extracted via a second tax regime. According to the rationale of the system, **the political family must be built, extended, and fed on the middle and low levels as well.** This means that new segments of the economy in areas that were formerly operated sector neutrally by the market have to be occupied and repositioned to function as direct state tribute extractors.

This is what happened in the case of the so-called **tobacco shop concessions**, which granted businesses the right to sell tobacco products. In an unprecedented move, and on false health-protection grounds, the state imposed a monopoly on the retail of tobacco products. Having been stripped of their right to sell tobacco products, which had the effect of devaluing their businesses, tens of thousands of small, rural food-and-newspaper shop owners and other small property holders were ruined. Once the previous small shop owners had been driven out of their means of making a living, legislation was enacted to enable the new concession holders to sell tobacco products in a profitable way. In this case, the mafia family had appeared in all of its organized structure and candid self-assurance. When it came to the distribution of large fortunes, the deals between a small number of actors took place behind closed—at times government—doors. In contrast, the tobacco shop concessions were run past the whole network of the adopted political family and were reviewed by Fidesz-led

municipalities and the rest of the government clientele. “Basically what is important is that the people chosen must be committed to the political right, [...] so the socialists don’t win,” said the Fidesz mayor of Szekszárd at the meeting where he and the Fidesz councilors reviewed the list of those applying for the tobacco shop concessions.¹⁹

The case of tobacco shop concessions is a clear demonstration of what typifies the mafia state, in part because this is not classic corruption, where many independent, small cases of corruption are carried through within the large application procedure in a decentralized and unsynchronized way, but to the contrary: as centrally planned by the adopted political family, a group of people are divested of their property—i.e., a concessionary right—legalized by a parliamentary amendment of law, and then comes the centrally directed robbery by selection of the new owners who belong to the family. The first phase of the process is also an example of market-acquiring nationalization, when it is not the property itself, the shop that is taken away, but the right to sell a range of products there. The case of the tobacco shop concessions is not a series of individual “scams,” but the coordinated functioning of the mafia state, which aimed primarily to benefit its “small shareholders” rather than the oligarchs of the adopted political family. Before the rearrangement of the retail market of tobacco products, the guaranteed trading margin was 3%. The new law stipulated the margin at 4%, and following the manipulated selection process the parliament raised this to 10% with another amendment. In other words, the revenue generated from raising the levies on tobacco products—contradicting the declared ideological aims—was not directed into the health-care system or prevention programs, but into the pockets of members of lower ranks of the adopted political family. This guaranteed deal did not even serve the kind of social goals that go back to the praxis of the interwar period, when the state supported disabled war veterans, war widows, or war orphans from the income of these concession rights. Of the 5,415 winning bids, only 280 went to people with disabilities.²⁰ But the action did not leave the small food and convenience stores, especially in villages, undisturbed; 5% of them had to shut down in 2014 as a result of the significant decrease in income due to being deprived of the right to sell tobacco products.²¹

The redistribution of tobacco retail rights was followed by the nationalization of the wholesale rights as well. Not all Fidesz members supported it. János Bencsik, a Fidesz MP who was disciplinarily penalized with a fine of HUF 300,000 (€1,000) for his vote against the amendment, said:

I would have very much liked to show my support for the third tobacco act with my vote. It hung on very little. All that it would have required was for the tobacco trade to become a state monopoly, in fact, and for the profit it generates to serve the greater good. The version now accepted, however, offers the possibility for the state to pass on these rights, now in its possession, to a private company without a tender for bids. The legal formula I am against promotes the possibility of hunting for allowances. Hunting for allowances means, in a nutshell, when rather than producing value, a given socio-economic actor invests its resources in excluding other actors from certain market opportunities with the cooperation of the state.²²

Prophetic words, for, indeed,

without a public tender and as the only applicant, Tabán Trafik Zrt., owned by the Continental Tobacco Group and British American Tobacco, was given the exclusive right to wholesale tobacco by the government. The co-owned business of these two companies, shortly to be registered, would supply tobacco to all of the 6,300 Hungarian tobacco stores. [...] In answer to our inquiry about why a public tender was not arranged for the state monopoly, [Minister of the Prime Minister's Office János] Lázár replied that in the case of public funds, it is indeed usual to call for bids. However, in this case "there was no call for bids because no public funds are involved," showing ministerial largess in overlooking the matter of a fee for the concession. [...] The success of Continental did not cause any surprise among market observers. The company from Hódmezővásárhely, with strong ties to the network around the governing party, was not only one of the big winners of the tobacco shop tenders, but as a result of a small technical glitch it had also been revealed that earlier it had even participated in drafting the tobacco concessions law.²³

Meanwhile,

market experts estimate the expected profits of the "national tobacco distributor" to be between HUF 5–12 billion (€16–39 million), as it will not have competitors, and the government majority has even granted it exemption from local business tax. Meanwhile, the conces-

sion fee is ridiculous: this year the co-owned company will have to pay HUF 10 million (€32,000), and in the following year HUF 100 million (€3,200,000), while the concession fee of HUF 600 million annually, which still seems symbolic compared to the fantastic deal they are getting, will only be expected from 2021 onward.²⁴

(At the same time, János Sánta, Continental's CEO—presumably upon request of the state—has bought a 49% share of the publisher of the new progovernment daily, *Napi Gazdaság*. “With his entry, a new media empire presumably more loyal to János Lázár is beginning to take shape, while Árpád Habony, the prime minister's senior advisor, continues to build his own separate unit, Modern Media Group, which seeks to occupy the field of tabloids and online content,”²⁵ so these can challenge Lajos Simicska's media empire.)

After the revenues of the tobacco trade have been diverted to the family network and when the situation seems propitious, the government, under a claim of acting in the interests of public health, can proceed along the same lines regarding the trade in alcohol and medicine.

This case bears the characteristics of the **activities of a mafia state** criminal organization as well. The actions involved here have been:

- Intentionally perpetrating criminal offenses (extortion, abuse of authority, etc.).
- Acting in concert, as a wide range of the branches of power (legislative, governmental control, and Fidesz factions in the local governments) and individuals (to a smaller degree the oligarchs of the adopted political family, mostly the least significant beneficiaries of the current regime) are required to coordinate their actions according to a specific time and sequence.
- The members of the criminal organization constitute a hierarchical group, where those who comprehend the entire operation are isolated from those carrying out the actions, each person just one step lower in the hierarchy (the local organizers of the nationwide plan are presumably not overseeing the whole process, but the process itself is definitely manifested at a local level).
- Persons in the criminal organization mutually reinforce the effects of their actions, since they would not be able to reach their desired goal (the distribution of concessions in the adopted political family) by acting independently.

- The stalling to provide data of public interest and the destruction of the losing applications was definitely aimed at covering up corruption and the obstruction of investigative inquiries.

But the multitude of cases described above could also be discussed through a similar framework, starting with the issue of biased leases on state-owned land to the distribution of concessions on slot machines and casinos, to the reallocation of concessions for the retail sale of tobacco products.

III. Classifying Criminal Organization Actions

1. The nature of damage caused by criminal organization actions of the state, broken down by damage caused to either private or public parties:

- **Damage to public property and revenue:**
 - Diverting potential state revenue to private parties (e.g., the gas deal between MVM [Hungarian Electricity Company] and MET Holding AG)
 - Forgoing potential tax revenue (e.g., forgiving billions of forints in tax debts without audits by the tax authority)
 - Diverting potential state dues to private parties (e.g., the residency bond—€250,000 in addition to a €29,000 fee, which is collected by some half-dozen firms close to Fidesz that are entitled to deal with it)
 - Diverting state concessions to private parties (e.g., online gambling)
 - Expropriating leasing rights (e.g., on the basis of civil law, dispossession of rights to prelease state land that is rightfully due to private lessees)
 - Diverting municipal or government real estate properties to individuals within the political family's sphere of interest at below-market values (e.g., the downtown Budapest real estate racket, which has given rise to alleged misappropriation)
 - Illegitimately diverting tender funds to overpriced bidders within the political family's sphere of interest (e.g., the series of tenders won by Simicska, Mészáros, Tiborcz)

- **Damage to private property and income:**
 - Expropriating property (such as the dispossession of savings accumulated in private pension funds, but also including the forced nationalization of the savings cooperatives and their subsequent transfer to third parties)
 - Expropriating private enterprises (e.g., 300–400 private companies by media estimates, such as the case of ESMA, discussed above)
 - Introducing mandatory state concessions for private enterprise activities (e.g., retail and wholesale tobacco sales, discussed above)
 - Expropriating state concessions and leasing rights (e.g., slot machines, allocating state land leasing rights to targeted members of the political family regardless of prior relationships with lessees or producers)
- **Causing both public and private damage** (e.g., manipulating the concessions for slot machines and casinos)

2. Connectedness of the actions by a criminal organization:

- **Single-staged:** a single-staged corrupt act can be understood as a simple corrupt transaction occurring between two parties that involves a single deal only. These acts fall within the scope of classical corruption with each representing a small amount, regardless of how many they are. The mafia state attempts to put these ad hoc individual actions under its control.
- **Multistaged:** actions with multistaged connectedness involve many institutions in the legislative and executive branches; complex cooperation between legislative acts and executive bodies may also be possible. This is much more typical of the everyday functioning of the criminal state, since, by necessity, only these complex mechanisms are capable of realizing large-scale projects that rewrite market conditions, often fundamentally, implemented through the intertwining of government and business.

3. The institutional scope of managing corrupt transactions by a criminal organization:

- **Within one institution:**

- At the clerical level: almost without exception, this coincides with single-staged, noninterconnected corrupt actions. Obviously, implementing corrupt plans that are complicated or applicable nationwide simply cannot be conducted at low levels of administration: the vertical structure of the relevant government institution must necessarily be involved.
- Complete vertical structure within the institution: it is inconceivable that corruption at certain central agencies, such as the suspected corrupt acts of the tax authority, including its well-known tax remissions on the order of billions of forints, would occur without the knowledge and approval of the entire vertical structure of the institution. In these specific cases, “equity,” the original purpose of which would be to assist taxpayers in a tight situation with small tax debts, here appears as a means of abuse to increase the profit of the major loyal entrepreneurs.

- **Interinstitutional:**

- Horizontally: when several institutions cooperate with one another, which is considered rare in any event, as in complex transactions requiring coordination from above.
- Vertically: due to the functioning of the Hungarian criminal state, as previously outlined, the vertical structure necessarily comes to the fore as the complexity of the analyzed corruption transactions requires the high-level coordination of the different steps involved.

4. Extent of the authority of the institutions involved:

- **Local:** areas where the dominions of certain “tax renters” are paid out as actual remuneration—such as the cities of Hódmezővásárhely or Debrecen—are classic examples of relative autonomy from the center, their former mayors being closely linked to the top of the political family. In a certain respect, the real estate racket in downtown Budapest can also be included here.

- **Nationwide:** for example, anomalies surrounding the Paks nuclear power plant tender can be included here, as well as MET Holding AG's gas and oil deal with public company MVM that resulted in dividends of around HUF 50 billion—most of which went to offshore companies.
- **Local and nationwide:** classically included here are the land lease and tobacconist transactions that were centrally directed but carried out primarily at the local level. They would not have occurred if either central or local coordination had not been involved.

5. Type of collaborating institutions according to their branch of power:

- **Legislative:** during the period 2010–2015, the parliament passed a mass of custom-tailored laws that mostly served as a framework for any subsequent manipulation, as well as laws that generally support the functioning of the mechanisms of state corruption, such as:
 - Raising price limits on public procurements (thereby facilitating the feasibility of a higher degree of corruption in procurements)
 - Facilitating the undue classification of public interest data (under the pretext of national strategy and national security considerations)
 - The law facilitating money laundering
 - Eliminating conflicts of interest as an obstacle in applying for tenders and subsidies
 - Upholding the confidentiality of official asset declarations by the relatives of politicians
 - Abusive disqualifying applicants from public procurement tenders, on occasion or for longer period
- **Executive** (public administration): the list of collaborating institutions ranges from central bodies (e.g., the tax authority), to municipalities and chamber associations. The use of the Counter Terrorism Centre as a political tool also emerged in the case of WELT 2000, a company that owned software and databases used in applying for EU grants.
- **Justice:** selective law enforcement, in which the number of cases prosecuted on corruption-related charges has fallen to an unprecedented extent.
- **Any combinations thereof.**

6. Statutory definition of crimes committed by a criminal organization:

- Extortion, fraud and financial fraud, embezzlement, misappropriation, money laundering, insider trading, bribery, bribery of officials (both the active and passive forms of these last two), abuse of authority, abuse of a public service position, buying influence, racketeering, etc.

*Categorization of Four Cases of Criminal Organization Acts
under the Mafia State*

Action by the criminal organization	Outdoor advertising company (ESMA)	Land leases	Slot machines, casinos, online betting	Tobacconist concessions
Injured party	private sector	private + public sector	private + public sector	private sector
Connectedness	multistaged	multistaged	multistaged	multistaged
Institutional scope	interinstitutional (horizontal and vertical)	interinstitutional (horizontal and vertical)	interinstitutional (horizontal)	interinstitutional (horizontal and vertical)
Extent of the authority of the collaborating institutions	nationwide	local and nationwide	nationwide	local and nationwide
Type of collaborating institutions according to their branch of power	legislative, executive (ministries, tax authority), branches	legislative, executive branches (ministries, National Land Fund Management Organization)	legislative, executive branches (ministries)	legislative, executive branches
Applicable statutory definition of crime	extortion, abuse of authority, abuse of a public service position, buying influence, bribery of officials (active and passive)	buying influence, racketeering, bribery of officials (active and passive)	buying influence, racketeering, bribery of officials (active and passive)	abuse of authority, abuse of a public service position, racketeering, bribery of officials (active and passive)

In most cases, there is no need to run through the entire process, since the victims understand that the “offer” from the adopted political family, backed by the full arsenal of state power, “cannot be refused.” And so businesses created through threats and extortion take the appearance of being voluntary, which will usually reduce the victim’s losses if he can take the hint and is willing to reach an agreement. As with the mafia, in that the proportion of those who suffer physical violence following a “voluntary understanding” is minimal compared to those who pay protection money or offer their services, it is also usually sufficient for the mafia state to simply display the range of illegitimate state coercion, accompanied by an offer for a “voluntary” deal. (Needless to say, achieving similar goals in a real dictatorship does not have to be so complicated; neither is it done in a way that imitates the functioning of a democratic institutional system.)

As the institutionalized immune system of liberal democracy is neutralized, the process of socialization of obedience and submission advances forward. If the monitoring power of the public is restricted, if the chances to change the government are reduced by manipulating the electoral system, and if faith is effectively lost in the fair operation of forums for legal redress due to selective enforcement of the law, then the effect will be in the direction of acquiescence and accommodation. One cannot help but notice that the chief prosecutor is also a part of the “polipburo,” a colluding member of the team, and so **there is no means by which the machinery of legal redress or justice can be set in motion against the criminal organization of the “polipburo.”** (In fact, in the course of selective law enforcement, it is not only a question of who is not charged with a crime, so that they can be left to run or just continue to “work” obediently according to their instructions in the vassal order, but who is charged merely with criminal intent. Furthermore, it is also about who faces a preliminary trial that was initiated by Hungarian prosecutors for protective purposes, so that this person can be “immunized” by the courts and relieved from having to stand trial in front of international law enforcement agencies.²⁶)

As a result of this socialization process, the number of crimes reported between 2010–2013 for three types of criminal activities related to corruption, both active and passive forms of official bribery as well as racketeering, decreased to one-half to one-third of the amount in the preceding four years.²⁷ One reason for this may be that “citizens were previously more likely to see the value of reporting crimes, or even that they had less fear of reprisals,”²⁸ meaning that reporting on others for a crime turns into

reporting on oneself. But even more telling is that—as an illustration of selective law enforcement—the number of crimes that were reported but later rejected by the authorities has tripled, and the rate of investigations that were started but then terminated has doubled.

NOTES

- ¹ David O. Friedrichs, *Trusted Criminals* (Belmont: Wadsworth Publishing, 2010).
- ² David O. Friedrichs, “Transnational Crime and Global Criminology: Definitional, Typological, and Contextual Conundrums,” *Social Justice* 34.2 (2007): 9, http://www.socialjusticejournal.org/archive/108_34_2/108_02Friedrichs.pdf.
- ³ Friedrichs, *Trusted Criminals*, 132–58.
- ⁴ Friedrichs, “Transnational Crime and Global Criminology,” 10.
- ⁵ http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1200100.TV, 459. §(1)
- ⁶ Resolution 4/2005, Criminal Legal Section of the Supreme Court of Justice, <http://www.lb.hu/hu/print/joghat/42005-szamu-bje-hatarozat>.
- ⁷ Act CI of 2006 on the promulgation of the United Nations Convention against Transnational Organized Crime, Palermo, 14 December 2000.
- ⁸ For more on classifying the public legal system as one that stretches the conceptual limits of a criminal organization, see Imre Vörös’s essay in this volume.
- ⁹ Szabolcs Tiger, “A félkarú rablók kivégzése” [Execution of one-armed bandits], *feol.hu*, 11 November 2005, <http://feol.hu/gazdasag/a-felkaru-rablok-kivegzese-1123941>.
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- ¹² “Több ezer félkarú rabló lepi el Magyarországot?” [More than a thousand one-armed bandit will operate in Hungary?], *HVG*, 9 December 2013, http://hvg.hu/gazdasag/20131209_Tobbezer_felkaru_rablo_lepi_el_Magyarorsz.
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- ¹⁵ Ambrus Ábrahám, “Vajna zsebére nyílnak a százmilliós kiskapuk,” *Népszabadság*, 8 November 2014, <http://nol.hu/belfold/vajna-a-neten-is-mindent-visz-1497253>.
- ¹⁶ Márton Vég, “Felépült a Vajna-birodalom” [Vajna’s empire is completed] *Világ-gazdaság*, 20 June 2016, <http://www.vg.hu/gazdasag/felepult-a-vajna-birodalom-448456>.

- ¹⁷ Ibid.
- ¹⁸ Richi Tóth, "Törvényben szabályozta az online kaszinójátékot a parlament" [Parliament approved a bill restricting online betting and casino activity] *24.hu*, 6 July 2015, <http://www.hir24.hu/belfold/2015/07/06/torvenyben-szabalyozta-az-online-kaszinotatekot-a-parlament/>.
- ¹⁹ "Megszereztük: Hangfelvétel bizonyítja a trafikmutyit" [We got it: Tape recording proves foul play in the distribution of tobacco selling licences] *HVG*, 9 May 2013, http://hvg.hu/itthon/20130509_trafik_Szekszard_Fidesz_hangfelvetel?utm_source=mandiner&utm_medium=link&utm_campaign=mandiner_201502.
- ²⁰ "Halló, itt a trafikmutyi hangja beszél!" *Népszava*, 11 May 2013, <http://nepszava.hu/cikk/644749-hallo-itt-a-trafikmutyi-hangja-besz-el>.
- ²¹ "Tömegesen zárnak be a boltok a trafikrendszer miatt" [Many shops closed down due to the tobacco selling system] *HVG*, 3 June 2015, http://hvg.hu/ene-sacegem/20150603_Tomegesen_zarnak_be_a_boltok_a_trafikok_m.
- ²² "300 ezret kell fizetnie a fideszes képviselőnek, aki háromszor sem úgy szavazott, ahogy elvárták tőle" [Fidesz MP fined HUF 300,000 for voting three times against party] *444.hu*, 18 December 2014, <http://444.hu/2014/12/18/300-ezret-kell-fizetnie-a-fideszes-kepviselonek-aki-haromszor-sem-ugy-szavazott-ahogy-elvartak-tole/>.
- ²³ Zoltán Batka, Dániel Bitá, "Valami nagyon furcsa az Orbán-kormány álomüzletében" [Something is fishy in the Orbán government's tobacco business] *Népszabadság*, 12 June 2015, <http://nol.hu/gazdasag/valami-nagyon-gyanus-az-orbank-kormany-alomuzleteben-1539525>; <http://propeller.hu/itthon/3118393-kihuzta-gyufat-kormany-nemzetkozi-dohanycegeknel>.
- ²⁴ Zoltán Batka, "Habony embere vigyáz a hatalmas dohányra," *Népszabadság*, 22 June 2015, <http://nol.hu/gazdasag/habony-emberevel-erositenek-1541333>.
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- ²⁶ "Lengyel lehallgatási botrány: Hernádi elintézte" [Polish leak scandal: Hernádi took care of it] *Népszabadság*, 23 June 2014, <http://nol.hu/gazdasag/ujabb-botranyos-hangfelvetel-1469927>.

"The following is from an audio recording published in the Polish liberal weekly *Wprost* on Monday. In it, Jacek Krawiec, president of the Polish petroleum company PKN Orlen, is in discussion with Treasury Minister Włodzimierz Karpiński and the latter's deputy, Zdzisław Gawlik. The meeting took place in January 2015 in Sowa and Friends, a restaurant in Warsaw.

Among other things, the petroleum company chief talked about his visit to Budapest and the discussions he conducted with Zsolt Hernádi, president and CEO of MOL, in this passage:

Krawiec: Listen, I'll tell you something that proves how different our situation is from that of the Hungarians. I went to see Hernádi because he cannot leave Budapest. I ask him, 'How many years are you going to get?' Relaxed and smiling, he says, 'Y'see, my lawyers realized that if this case goes to trial in any

EU country and I am acquitted of the charges, then the verdict has to be recognized by every EU member state, letting me travel around Europe.' I ask him if the case will be tried in Hungary. He tells me it will. So I say, 'But then it may take two or three years.' And he says, 'We'll have a ruling in April.' Sitting next to him is this guy, the head of Legal, a real self-important type named Ábel [referring to Ábel Galács, who is not the director of Legal but the group-wide sales director]. He [Hernádi] turns to him and says, 'Ábel, tell Jacek who the prosecutor is going to be for this trial in Hungary.' He says, 'My wife.' You see? Just imagine such a situation! His wife is the prosecutor, he gets an acquittal, and everything is taken care of. Can you imagine this happening over here?

Zdzisław Gawlik: Maybe it does happen and we just don't know about it.

Włodzimierz Karpiński: This is what Kaczyński dreams about, these are the kind of internal political conditions he would like."

²⁷ Babett Oroszi and Balázs M. Tóth, "Polt Péter kinevezése óta meredeken zuhan a politikai korrupció ügyekben indított büntetőeljárások száma" [The number of prosecutions for political corruption has fallen sharply since the appointment of Péter Polt], *Átlátszó*, 6 February 2015, <http://atlatszo.hu/2015/02/06/polt-peter-kinevezese-ota-meredeken-zuhan-a-politikai-korrupcios-ugyekben-inditott-buntetoeljarasok-szama>.

²⁸ Ibid.

András Becker

The Circulation of Oligarchs

All attempts to uncover the true wealth of the Orbán family and the origin of this wealth have so far ended with an embarrassing lack of success—whether it be the activity of a parliamentary inquiry commission in 2005 or an audit by the national tax authority two years later. The latter has become ingrained in the public consciousness as an investigation into the attainment of his wealth—but, actually, the tax authority only audited the party leader's tax returns. The tax audit visibly demonstrated the impotence of the current Hungarian government with respect to the moneymaking that politicians engage in: the end result was a revision of the numbers, with the tax office giving Orbán a refund of HUF 135,000. However, in 2007 party leader Viktor Orbán and his wife, Anikó Lévai, already possessed at least HUF 200 million in property assets, the origin of which is still not completely clear. Indeed, the noticeable growth of the family's wealth and the real market value of this wealth cannot be explained in any reassuring way from the couple's apparent and verified income, and thus far no explanation for it has been made public. Of course, the prime minister's official declarations of assets are available, but nobody takes these statements of wealth given by political figures seriously: indeed, there are no sanctions at all, not even of a purely political nature, for incorrect or fraudulent declarations. For example, Lőrinc Mészáros, Orbán's regent in the town of Felcsút, corrected his declaration of assets with laconic simplicity when it was revealed that the statement did not include HUF 1 billion in dividends. But a whole array of politicians from the ruling party have been dealt with in a

similar way when the media uncovered assets they own that are not listed on their asset declarations—and there have not been any consequences in even a single case.

Two emblematic phrases by Prime Minister Orbán nicely characterize the relationship between how wealth is attained by the public and by politicians. (Orbán is perhaps the only democratically elected political leader who, when asked, managed to say, “I have never lied” without batting an eyelid.) During his first term as prime minister in 2002, and in a closed discussion with executives of a business venture that his wife was also an owner of, Orbán stated in connection with an application for a public grant that, “[out of all the applicants] we shouldn’t win the most.” Orbán himself did not even subsequently deny the fact that he made the statement, and the company actually did receive a significant amount of public funds, but there were no consequences resulting from this affair either. Twelve years later, in connection with the soccer stadium in Felcsút that was built primarily with public money, a reporter inquired from Orbán as to how it felt to have a stadium built by public funds right at the edge of his garden. The prime minister and party leader responded without batting an eyelid, “There are no public funds in this [project].” Eight days after Orbán’s statement, the 2013 annual report of the foundation building the stadium that extended to the edge of Orbán’s garden was released, with the following item clearly visible: *Aid from the central budget*: HUF 734,222,000. But the foundation also received HUF 500 million from the Ministry of Human Capacities and an additional HUF 3.5 billion in corporate tax contributions that year. Altogether, this amounted to nearly HUF 5 billion in public funds.

The two statements and the two projects indicate how little things change: politicians, and thus the inability to call Orbán to account as well as the unscrupulousness that results from this, have not changed a bit over the past decade. But what has changed is the method of channeling public funds for private purposes. While the prime minister during his first administration (1998–2002) was actively involved in various business affairs through his wife, since the formation of the second Orbán government in 2010, the Nemzeti Együttműködés Rendszere (System of National Cooperation; NER) has provided primarily business magnates close to the family with more funds than ever before. But not only members of the adopted family are enriching themselves to an improbable extent: Orbán’s son-in-law, the husband of his oldest daughter, István Tiborcz, is the owner of a company (Elios Inc.) that has seen its revenue increase several hundred

times since the most recent change of government. The company's revenues derive almost entirely from EU-funded public procurements, and Elios was able to win state contracts worth HUF 4 billion just in the first four months of this year (2015) alone. By comparison, the firm generated HUF 8.4 million in revenue, or 0.002% of this amount in 2009, the last year prior to the change of government. That the prime minister's son-in-law has won such a surreal number of procurement tenders in itself raises suspicion, and in a country where the premier treats the entire institutional system of the state as plundered territory under his own direct authority, but the Tiborcz family does not even give the appearance of being impartial much of the time. A complaint filed by one of the opposition parties states that in several such tender applications, one of the owners of the company that prepared the procurement tender was also the owner of the subsequent winning applicant, which was Elios Inc. It could even be said with a bit of simplification that in such cases the Tiborcz family wrote the conditions of these tenders for themselves. But among the several dozen procurement contracts won by Elios there are hardly any in which one or more of the signs of possible fraud, as employed by the European Union's antifraud office OLAF, are not present: a very short application deadline, the demand for unwarranted references, too-detailed technical requirements, and withdrawn or disqualified bids from rival applicants.

Even if we believe that the Orbán family's wealth is really only as much as it purports to be, and that there are no kickbacks for public procurements or state contracts, and no secret bank accounts in Switzerland or Lebanon, then it is an open question as to **what will happen to and what purposes will be served by the enormous amount of profit earned year after year by the large domestic capitalists close to the family**. Even smaller minions like Endre Apáthy, the owner of A-Híd, which has gained a dubious reputation through repairing Margaret Bridge and constructing Megyeri Bridge, received HUF 500 million in dividends from the NER this year. However, it follows from the nature of the NER that the clientele should actively display their gratitude for all of the benefits they receive: some do this by providing free bus transportation for spectators to the Felcsút stadium or for participants in progovernment GONGO demonstrations, some with illegal campaign financing for the ruling party, and some by supporting here and there the children of the family. Before moving on to the business dealings of the adopted family, we should broadly discuss how the Orbán family has accumulated its wealth.

Features of the Orbán–Lévai Couple’s Wealth Increase

- Following several major real estate purchases by the Orbán family, there have been public work projects financed in some way by the state in areas either where the property is located or in its immediate vicinity, and so also possibly affected the value of the property: HUF 3 billion in state subsidies were provided for soil improvement and vine planting in Sáradsány (Anikó Lévai and several family friends had interests here), and for water drainage in central Felcsút (and in five nearby towns).
- Since 2010, a qualitatively new level has been reached in Felcsút for this kind of public spending: in the new model, an entire infrastructure has been set up and is being operated in order to realize the prime minister’s dream. An odd type of Disneyland is being built around Orbán’s house, with a narrow-gauge railway, small-sized stadium, arboretum, a manor house renovation, and a school—the project even has its own newspaper. The state budget and other government funds have predominantly been used to construct and run the Felcsút project. However, the assets that result from these are connected in a myriad of ways to the foundation that was established by the prime minister.
- There are around half a dozen entrepreneurs made up of friends and family near the nonentrepreneurial Orbán–Lévai couple (also in the topographical sense regarding the Felcsút project) who are members of the “adopted family” and have prospered to an improbable degree following the change of government in 2010. The meteoric rise of the Simicska–Nyerges duo’s corporate empire has been well documented in the media, and will only be dealt with broadly here, but instead the “balance sheets” of businesses run by Mészáros, Garancsi, Tiborcz, Flier, and Győző Orbán over the last three years will be examined.

1. Holdings and Estates

Based on his official declaration of assets, there have been no major changes in the prime minister’s wealth since 2006: it states that he pres-

ently owns four-fifths of a 1,544 m² plot in the twelfth district (one of Budapest's wealthier districts), and half of a 233 m² residence on that property. Beyond this, he is also the owner of a few pieces of land totaling roughly 3.7 acre in central Felcsút. Every bit of this has been given to the Foundation for the Upbringing of Felcsút Youth Athletes (FUNA), the quasi-soccer club he founded, to use freely for fifty years. The official declaration of assets of the prime minister's wife displays a considerably greater change in wealth than this. The last asset declaration of Anikó Lévai that was made public records her situation as of 14 May 2010, but since then, there have been no public reports on the financial standing of the prime minister's wife. The last statement shows that the size of the land, which grew continuously after 2001, amounted to nearly 100 hectares by 2010: the prime minister's wife owned around 170 acres of land in Felcsút and its surroundings, 57 acres within and on the outskirts of the town of Szolnok, and 0.6 acre in central Sározsadány. The site in Sározsadány is only a remnant of the family's holdings in the Tokaj region: according to her annual declaration of assets, in 2009 Anikó Lévai still owned around 15 acres of vineyards and 5 acres of unspecified land in Sározsadány. But in the following asset statement that was signed on 14 June 2010, all of the land in Sározsadány—with the exception of 0.6 acre in the central area—was gone. The buyer was an old friend of the Orbán family, Dezső Kékessy, who served as the Hungarian ambassador to Paris during the first Fidesz government, became known as one of the main characters in the “we shouldn't win the most” story, and was a central figure in the entire Tokaj project.

Kékessy's real estate company purchased the family's apartment in central Budapest in 2002. Not long before that, the Orbáns had bought the property from the municipality for HUF 580,000. Kékessy's company paid HUF 63 million for the apartment but then could not pass it on to anyone else for several years. This deal was a starting point for the family's increase in wealth: the official explanation is that with this amount and some credit they took out, they were able to buy the property in the wealthier district, now worth around HUF 100 million.

The corresponding value of the land sold in Sározsadány does not appear in Anikó Lévai's 2010 declaration of assets as cash, real estate, securities, or any other form, so we do not know how much Kékessy paid for it. Depending on the quality of the plantation, the local vineyard prices range between HUF 5 to 20 million per hectare, so the value of the 20 acres of land together with the vines growing on it—although Lévai does not own

the vineyard itself—could have been between HUF 40 and 100 million. However much the final purchase price was, the investment produced an improbably high profit: fifteen years earlier, the prime minister's wife had bought her first five parcels of land from the town of Sározsadány for HUF 100,000 (at a price of HUF 2/0.00025 acre), and the entire property in Tokaj was hers for HUF 1.6 million.

Tokaj and Sározsadány

In the history of the Orbán family's wealth increase, the project in Tokaj has caused the biggest scandal. A company owned by Anikó Lévai and Dezső Kékessy, among others, received a total of HUF 63 million in public assistance on various grounds—while uncovering their activities, a parliamentary inquiry commission set up after the change of government determined that there was a specific case where permits and statements necessary to receive state grants were issued by certain authorities even before the company was founded. Following the scandal, Anikó Lévai sold her share in Szárhegy Hill—Sározsadány—Tokajhegyalja Ltd. in 2005. (The buyer was the company itself, with Dezső Kékessy as the majority owner.) The couple has not had any direct business interests since then, but their assets have nevertheless continued to grow: the most recent was a 90 m² apartment, also located in one of Budapest's elite districts. It is not possible to form an accurate and conclusive picture of the actual profit from the Tokaj investment: this is partially because the buyer, Dezső Kékessy, has conducted several other deals with the family, both as an individual and through his companies; and partly because it is impossible to show exactly how much the value of property in Anikó Lévai's name increased as a result of public money granted to the business.

Felcsút

Public funds used in this manner did not leave out the family's estate in Felcsút either, which was also held in Anikó Lévai's name. The first major piece of land in Felcsút bought by Anikó Lévai, a total of around 133 acres, was purchased for HUF 6 million from Sándor Bognár on 31 October 2001 (more than a half-year before the fall of the first Orbán government). Earlier, Bognár had been appointed managing director of the Herceghalom Experimental Farm (HEF), a large agricultural enterprise nearby that

was still publicly owned at the time, by the state company responsible for privatizing national property after the previous director of the farm was removed in a coup-like fashion. At that time, János Flier was a member of HEF's board of directors. Anikó Lévai thereafter did business regularly with the Flier brothers, and according to some reports, János Flier cultivates around 173 acres of Anikó Lévai's land near Felcsút as well. It is not known who actually receives the state subsidies for this land, as it can only be ascertained from Anikó Lévai's previous asset declarations that it is not her.

In any case, out of all the land lease applicants, the Flier family was clearly the winner in the Felcsút region last year: research by Krisztina Ferenczi shows that they were awarded the right to lease 931 acres of land. The Fliers won the third-highest number of land leases in all of Fejér County, directly behind Lőrinc Mészáros, the mayor of Felcsút. (Leasing state land from the Hungarian government is a fantastic business: in this type of arrangement, the rental fee is a fraction of the land subsidy that is received automatically, meaning that the land produces a handsome profit even if the lessee does not do anything with it.) In comparison, the fact that one of the Fliers is able to operate the only tobacconist in Felcsút seems like a small favor to the family.

Based on Government Directive 2045/2001 pertaining to the privatization of state farms, Bognár and Flier acquired a dominant stake in HEF in October 2001, and Hungarian Development Bank, a state-owned development bank, offered a loan for the purchase with exceptionally favorable terms. Two weeks later, Anikó Lévai purchased the previously mentioned 133 acres from Bognár, again at an extremely favorable price.

However, six weeks later parliament voted to grant state money for water management, leading to a real increase in value for this property. Act XCIV of 2001 allocated HUF 2.7 billion in funding for the "surface water drainage of the Vál Water Valley." These funds were conspicuously disproportionate with respect to both the extent of the amount set aside and the importance of the drainage problem that had to be treated. But in the affected region, and thus in Felcsút as well, solving the water drainage problem significantly enhanced the use value of the property, which soon became apparent through the increase in land prices in the surrounding region. (Orbán moved to Felcsút at this time: concrete-lined rainwater drains were constructed everywhere in the six affected towns from the HUF 3 billion made available, as if they were proclaiming that the prime minister had settled in there.) This project consumed the bulk of the aid that the state had set aside nationwide for this purpose.

The press has exposed the story of government funds used for both the acquisition of holdings in Sárzadsány and Felcsút as well as for the sites owned by Anikó Lévai very thoroughly. Following the change of government in 2002, a parliamentary committee and the Government Control Office also investigated the matter, but there were essentially no consequences.

2. The Felcsút Dream

During Orbán's second term in government (2010–2014), the channeling of funds from the EU and Hungarian budgets to the prime minister's business interests entered an entirely new dimension. Viktor Orbán founded the Foundation for the Upbringing of Felcsút Youth Athletes (FUNA) in 2004, and Lőrinc Mészáros, mayor of Felcsút and one of the prominent members of the adopted family, was made chair of the foundation's board of trustees. More will be said about him later. The foundation not only runs the Ferenc Puskás Football Academy (PFLA) but also a high school, as if it were a body existing to serve the academy. FUNA was the developer of the Felcsút stadium, and thus also the beneficiary of the government funds spent on this project.

The foundation's total revenue in 2010 was only HUF 961 million, but two years later this had grown to 2.99 billion, or three times that amount. FUNA's equity grew from 1.6 billion to HUF 3.7 billion during this same period. This spectacular growth is largely a result of the completely improbable amount of corporate tax contributions it received: in 2013 the prime minister's soccer team received HUF 2.8 billion in public funds from this type of support. (Since 2011, Hungarian businesses have been able to donate part of their corporate tax to soccer teams and claim it as a tax deduction.) By comparison, FTC, probably Hungary's most popular soccer team, received HUF 257 million in revenue from these funds, which was less than a tenth of the amount that went to Felcsút.

Among financial support for FUNA, donations from nonindividuals make up a separate category: following HUF 660 million in 2011, HUF 850 million in donations from business entities flowed into the coffers of the prime minister's foundation in 2014. There is no way to know exactly which companies have given to FUNA, or how much, as the head of the academy is firmly against letting anyone view the foundation's financial documents. In any case, the club's website devotes a separate page to its sponsors: one

can find a kind of VIP list of the favorites of the current regime here, from Simicska-owned construction company Közgép, to the progovernment CBA supermarket chain, to the asset management company of the Simicska empire, Pro Aurum.

It should not be surprising that OTP Bank and other Hungarian firms support the prime minister's hobby with significant sums of money. But even in the midst of current conditions in Hungary, it is a cause for concern at a minimum that on the list of sponsors are also companies in partial public ownership: oil and gas company MOL, or its subsidiary, Földgázszállító (Natural Gas Transmission) Inc. It obviously should not be asserted that any of the HUF 500 billion in public procurements that Közgép has won in recent years has been returned in the form of kickbacks, but it is a fact that the parties involved—on one side through executive power controlled by the prime minister, and on the other through financial support from Simicska and Nyerges-owned companies—have mutually and repeatedly shown preference for each others' projects. (However, as a visible consequence of the overt conflict occurring since last summer between Orbán and the largest Fidesz oligarch, Közgép owner Lajos Simicska, the company's name was recently removed from the list of FUNA sponsors.)

Similar doubts were raised in connection with Duna Takaréék (Danube Savings) Cooperative: FUNA-sponsor Duna Takaréék was the only thrift that was exempt from the couplike nationalization of the savings cooperatives in 2013. The owner of this small bank, István Garancsi, is also a member of the adopted family, and his role will be covered later in this chapter.

In any event, the prime minister's dream in Felcsút has begun to branch off into a unique reality as a result of the billions streaming into the project. For example, FUNA has already become the largest employer in the town: in its 2012 report on public benefit activity, the foundation stated that it employed 110 full-time workers, and was the employer of the staff at the Lajos Letenyey Vocational School as well. This latter institution is also number one in its own field: in early 2013 the government provided the school with HUF 500 million in aid through the relevant ministry—yet a public education institution run by a foundation had until then never received so much assistance from the central budget at one time.

But there are also other venues for the Felcsút dream: based on an agreement concluded with Duna-Ipoly National Park in September 2010, the foundation now runs the famous Alcsútdoboz Arboretum. At the same time the agreement was signed, the national park used nearly HUF 200

million in EU funds to refurbish the arboretum. (A small but telling aspect of the Felcsút project was that one of the contractors of the park's reconstruction was Duna Aszfalt [Danube Asphalt], one of the most frequent winners of public procurement projects in Hungary over the past three years—and naturally a FUNA sponsor. Duna Aszfalt is one of the favored candidates to take over the share of public procurement projects from Simicska's Közgép Inc., which is no longer in favor.) Immediately adjacent to the publicly owned arboretum is the Sport Hotel, owned by the foundation; the two institutions advertise each other on their respective websites.

The renovated arboretum, as well as the neighboring Sport Hotel, will be one of the terminal stations for a 6 km-long narrow-gauge railway that had already started receiving permits last year. FUNA purchased the entire, nearly 60 km-long stretch from MÁV, Hungarian State Railways, but for the time being the train will only run between Felcsút and the Alcsútdoboz Arboretum, stopping only at the new stadium in between. Compared to this, it is small change that state bodies spent HUF 51 million at list price on advertising in the foundation's domestic magazine, *FourFourTwo* in 2013—only slightly less than in *HVG*, the business weekly with the largest circulation in the country.

Taken together, between 2010 and 2013 the FUNA project was granted a minimum of HUF 6 billion in public assistance (partially from the EU), the majority of which came directly from state funding. With this in mind, one must now evaluate the statement from the prime minister, who “has never lied,” in saying that “not a single penny of public money is in this project.”

New Times, New Methods

The war, now evident to everyone, between Lajos Simicska, the NER's biggest oligarch, and the prime minister, reelected with a two-thirds majority, has opened up a new chapter in the area of property and revenue distribution. One of the thrusts of this infighting, which has shaken the whole regime, is clearly over the allocation of development funds. It has also made clear that what is most at stake for business groups at the political center is keeping control over funds distributed from the EU: there are hardly any Hungarian oligarchic companies for which EU funding would not be a matter of life or death. But this is valid for Fidesz enforcers at a lower

level as well, as the strongmen at the county level only have these resources to hand out. In other words, if these funds were to dry up, it would cause the entire power structure to weaken severely.

However, one can assume that if the illiberal reconstruction of public life had moved at a slightly faster pace, then presumably one or more of the large Hungarian capitalists who had grown too big would now be on trial in Hungary as well. (It is exciting to ponder who the Hungarian Khodorkovsky would be.) That this did not happen is also proof that the system of relations between Hungary's large capitalists and the Hungarian prime minister is much more complex than a description of it as a hierarchical, two-dimensional model with Orbán sitting at the top. The reality is rather that Hungary's large capitalists have a network of contacts around the Orbán family that is currently more diverse and intricate than either a traditional mafia family structure or the personal network among the elite in Putin's Russia. This system of relations is much more complicated and extensive than state ("high level") corruption understood as simply the intermingling of politics and business: everyday experience shows that through the effects of this system of subordination and its mode of operation, it now pervades even the lowest levels of organizations linked to the state in any way. One could say that it even appears in the daily lives of individuals and entities connected with the state in some way.

By examining some of the players, the tip of this organizational network, the existing system of relations that the oligarchs closest to the Orbáns have with each other and with the family, and the changes in these relationships will now be discussed. These are Hungarian forint billionaires who are ideal types in some respect (see the introduction to this volume), each representing a cluster of the large capitalists who surround the Orbán family: inner circle, fellow travelers, and capitulated oligarchs.

Oligarch Typologies

A group of Hungarian capitalists can be defined as oligarchs—as a sort of rule of thumb—based on three criteria:

1. They acquired the bulk of their wealth through business conducted with the government: this can mean their original accumulation of capital during the privatization of national property just as much

as a string of successes with winning EU-funded infrastructural tenders, or any monopolistic-type activity in a market heavily regulated by the government (energy, media, etc.).

2. They obtained these businesses through mutually advantageous relations with political parties and actors.
3. Their influence is much stronger than their share of the market in a given sector, and possibly even considerable in several different sectors.

Their status as an oligarch is obviously not permanent: there are quite a few who were oligarchs at some point after the change of regime in 1989 but not anymore. And even among the national team of oligarchs who emerged during the first Orbán government, many now play in the minor leagues: former oligarchs include István Töröcskei, who lost his influence in the financial services industry even before the savings cooperatives were nationalized, or Elek Nagy, owner of a road-construction company that was favored by Orbán's first government, but now only runs an emerging small business. The main mission currently pursued by Tamás Fellegi, a media owner and former minister in the first Orbán government, is to win over the political sympathies of the Hungarian diaspora in the United States. The once-powerful chair of the state privatization company, Csaba Faragó, whom numerous Hungarian forint billionaires have to thank for their fortunes, is now the Hungarian ambassador to Singapore.

A completely different case, but also in terms of his oligarchic status, is **Tamás Leisztinger**, once considered among the most influential Hungarian capitalists. Leisztinger, traditionally close to the Hungarian Socialist Party, in an unprecedented move sold the flagship of his corporate empire, Hunguest Hotels Inc., three months after the change of government in 2010, but then bought the soccer team in Diósgyőr. By his own admission, it was Sándor Csányi, the wealthiest Hungarian oligarch, who convinced him that investing in a small rural soccer team would be a good idea. (In the NER, it is virtually mandatory for an oligarch to buy a Hungarian soccer team.) This was sufficient enough for Leisztinger to make a safe retreat, but not enough to join the club of the friends and business partners of the reigning prime minister.

The two mammoths of Hungarian capitalism, **Sándor Csányi** and **Sándor Demján**, will only be touched upon here. They are **classic or first-**

generation oligarchs, or in the terminology of this volume, autonomous oligarchs. Their common features are that both have clearly supported Orbán since his first term in government, and—although their relationship has fluctuated quite a bit—the two richest Hungarians have all along retained a kind of autonomy. The prime minister occasionally bestows small favors on his two original oligarchs. For instance, in April 2015 Hungarian National Asset Management Inc. (Magyar Nemzeti Vagyongezelő, MNV) purchased a billion-forint piece of land from one of Demján's companies that the firm had been trying in vain to get rid of for the previous ten years, while Csányi received HUF 1.5 billion in subsidies for his food business Bonafarm Inc., a slaughterhouse based in Mohács. But these trivial gifts were preceded by grave steps that count as punishment: following government measures on foreign currency loans that meant a huge loss for Csányi, the banker was openly attacked by the prime minister's janissary, János Lázár. And in the summer of 2014, it was announced that land subsidies would not be provided for large estates over 3,000 acre in size: this measure not only represents billions in losses for Csányi and his major agricultural interests, but also for Lajos Simicska and Tamás Leisztinger, who similarly manage vast landed estates. But Demján was not spared the rod either: the de facto nationalization of the savings cooperatives and their subsequent transfer to companies linked to Zoltán Spéder, one of the new generation of oligarchs, represents a major loss of influence for Demján, who is also active in this economic sector. Following these events, it is a genuine "kremlinology" question, in terms of the reordering of the "adopted family" that began last summer, as to the extent that Orbán can count on the loyalties of these two old school oligarchs in his war against Lajos Simicska.

Likewise, **the Simicska–Nyerges duo is an independent unit on the map of Hungarian oligarchs.** Lajos Simicska, whose name has become practically a concept, has clearly been an "inner circle oligarch" over the past twenty-five years. In fact, in a certain sense he himself was the innermost circle: for example, Elios Inc., the aforementioned company owned by István Tiborcz, the prime minister's son-in-law, was de facto set up with Közgép's help. As was said in the past decade or so about Sándor Csányi, that it was not possible to conduct an appreciable amount of business in certain sectors without his approval, general business opinion now attributes Simicska and his associates with the same influence. Some indirect evidence that this influence has indeed spread to an overwhelming share of development funds is the fact that as a part of the internal war that

broke out last year, dozens of qualified members of the state apparatus who belong to the Simicska clan have been removed by Orbán's deputies. Accounts of their businesses say much about the media-shunning pair's companies and transactions, but the affairs and personal networks of both men have also been thoroughly uncovered by the media. However, we can only suspect how the two oligarch leaders of Fidesz have repaid their gratitude for the several hundreds of billions they have won in public procurement projects through the NER: as long as the beneficial darkness of non-transparency continues to hide party and campaign financing, there is little chance of confirming these suspicions. No doubt the suspicion will remain. (A study by Transparency International Hungary estimated that Fidesz's actual campaign expenses in the 2014 elections were around HUF 4 billion more than the amount officially declared by the party.)

From Gas Fitter to Overseer

A few years ago, **Lőrinc Mészáros** was an anonymous gas fitter from Felcsút. His joint venture with his wife, Mészáros and Mészáros Ltd., nearly went bankrupt in 2007: in addition to sales of HUF 1.7 million, it produced an operating loss of HUF 3.8 million. And then a miracle happened: in 2008, in the hardest year of the economic crisis, the company unexpectedly produced HUF 100 million in revenue, and a profit of HUF 6 million. (Fidesz triumphed in the 2006 local elections: there were hardly any significant towns they did not win. Since 2006, these municipal governments have been supplying companies close to the party with local contracts.) The momentum did not slow down after that, as the company closed 2010 with revenue of HUF 850 million, and over HUF 200 million in profit. There was no stopping here either, as this amount had quintupled by 2013: Mészáros's company posted revenues of HUF 4.6 billion and HUF 1.2 billion in after-tax profit. It is not known what role the office that Mészáros received from Orbán has played in this, but in any case, few companies can say that they were able to increase their income 2,500 times during the five hardest years of the economic crisis, and in the midst of a shrinking economy.

Búzakalász 66 Felcsút Ltd., founded in 2011 and owned by Mészáros and Mészáros Ltd., also performed similarly well: in one year, it quadrupled the HUF 276 million in revenue that it had taken in during its first year, and last year, in addition to income of HUF 1.16 billion, it immedi-

ately earned an after-tax profit of HUF 18 million. Mészáros's company and family members have also performed well in applying for land leases: through his companies and family members, he has acquired a total of 3,300 acres of land, nearly a quarter of all land allocated in Fejér County. Several accounts also maintain that Mészáros is considered to be Orbán's local overseer. In any case, this is not contradicted by the fact that the Mészáros family has also performed splendidly in winning national tobacco concessions: one can buy tobacco products from tobaccoists owned by the family in a good number of Auchan supermarkets.

The Sports Buddy from Next Door

István Garancsi can make the claim of having had **the oddest political career** of the previous term. The wealthy capitalist, generally referred to as a real estate forint billionaire, was appointed in 2011 to be the prime minister's commissioner responsible for developing cycling and hiking tourism for one year, and was elected to head of the Hungarian Hiking Association a year after that. Neither office is what one would call a real lobbying position, but presumably this is not Garancsi's most important task. It should be added that kindness from the prime minister also produced a veritable windfall here: the government provided almost HUF 1 billion to survey 22,000 kilometers of the national hiking trail network, meaning that the lucky surveyor received HUF 45,000 for every kilometer of the hiking trail that was surveyed. (By comparison: this is the same amount that an unemployed married couple receives in social benefits in a single month.)

The real assignment of the prime minister's former commissioner, arising from the nature of the system, was much more concerned with reorganizing soccer activities in Székesfehérvár and managing the Videoton Football Club. Videoton holds particular importance in terms of the Felcsút dream, since the club was originally the Hungarian first league partner of the Felcsút foundation FUNA, and young people emerging from there could be signed by Videoton if they were fortunate—as happened in 2011 to the prime minister's son, Gáspár Orbán. It is another matter that Orbán's team itself was elevated to the first league two years ago, so in theory it already rivals its big brother.

Garancsi bought Videoton in 2007; by his own admission, he has spent a sum on the order of billions of forints on it (Fehérvár F. C. Ltd., the

company that runs Videoton, has generated a loss of nearly HUF 2.5 billion over the past three years), and he himself knows that this investment will not turn a profit within the foreseeable future. So then why is he doing it? For one reason, it is because in this regime, supporting a soccer team is a mandatory extra task for those who want to be close to the main centers of power—Sándor Csányi received the presidency of the Hungarian Football Federation outright. Another reason is that Garancsi is also a member of a relatively small group of selected oligarchs who are often seen in the VIP box at the Felcsút stadium.

István Garancsi additionally granted a favor, tiny in terms of its value, to get into Viktor Orbán's good graces: that the prime minister's son resided in his apartment on Gellért Hill for an extended period of time has moral rather than financial significance. A favor on a much larger scale was HUF 750 million that has been loaned thus far to FUNA by the financial institution Garancsi runs, Duna Takarékszövetkezet. In addition, Duna Takarékszövetkezet also supports FUNA as one of its sponsors.

What sort of benefits have accrued to István Garancsi with Orbán at the helm of the government? Based on publicly available information, we are aware of three deals that turned out well, indeed, extremely well for the Videoton owner. The first of these transactions was the acquisition of CD Hungary (CDH), which in fact provided the real estate billionaire with his initial accumulation of capital. In 2002, following a series of complicated deals during Orbán's first administration, Garancsi (and his business associate at the time, Zsolt Hernádi, later the head of oil company MOL) acquired CDH through a cash payment of a few hundred million forints, as well as its real estate assets, whose value was estimated at HUF 20 to 30 billion by an appraiser commissioned by the state privatization company.

In light of this, it is obviously not a coincidence that the subsequent extra bonus from the state happened only after Orbán's next cabinet was assembled. The nationalization of the savings cooperatives and their transfer to Zoltán Spéder's interests is a story comparable in significance to the nationalization of the private pension funds. The entire process, however, did not affect Garancsi at all: through a custom-tailored amendment to the law, Duna Takarékszövetkezet, the institution he manages (formerly a thrift, now a bank) was the only savings cooperative out of 105 that was granted an exemption from the "integration" process. And the year 2012 also brought a gift from the nation to the Videoton owner: the government, abusing its regulatory role, provided MET Inc., one of Hungary's

energy trading companies, with a monopoly on the market. The extra profit it earned as a result was so large that the company paid out \$244 million, approximately HUF 50 billion, in dividends to its shareholders. Among these was István Garancsi, whose Futball Invest 2007 Inc. is the ultimate owner at the end of a chain of companies with a stake in MET. There is no information as to how much the company that manages the Videoton soccer team profited from this particular deal, but the firm, which in previous years ran at a loss, made an after-tax profit of HUF 5.6 billion in 2013. And so the story, which began with the purchase of a down-and-out top league soccer team in 2007, comes full circle. Yet, the extra profit earned from MET's activities cannot be explained only by extra expenses related to Videoton: it has been reported that concurrent with Simicska's weakening, Orbán has started to put together a new team of "inner circle" oligarchs that consists of six to eight members.

The name **Gábor Szima** is well-known to Debrecen residents: the Hungarian capitalist with gambling interests is the owner of the city's soccer team, DVSC. DVSC is managed by DVSC Futball Szervező Ltd., and has had quite poor results: the owner, who (which) is none other than MSZ Kaszinó Ltd., one of Szima's gambling companies, has had losses of nearly HUF 1 billion over the past three years. However, DVSC Futball Szervező Zrt., which runs the Debrecen soccer team, is an owner of Szima's other company, Onyx Casino Ltd. Szima has also not lacked for help from above: although another oligarch, Andy Vajna, won five out of seven public tenders, monopolizing the casino market after 2010, Szima received the other two. Moreover, it also turned out a few weeks later that the extra profit guaranteed by the market monopoly was still not enough for the winners of the tender, so the applicant companies were exempted from having to pay the concession fee. A further development is that since last year, casino gambling activities in Hungary have been exempted from having to pay VAT. It is absolutely certain that Szima will also pass on the billions of forints of profit expected to be generated from his casinos to his soccer interests, and if the cost/benefit ratio is the same as it is for István Garancsi, then his activities could truly be considered oligarchic. Otherwise Szima rather embodies an oligarch with more local importance, while also occupying a role somewhat similar to that held by **Miklós Seszták** in the previous term, himself the new Minister of Development. But his career cannot be considered an average one: breaking into the inner circle from the outer one rarely occurs.

However, it is a big question **how Andy Vajna, for example, will show his gratitude for the billions that have come his way from the NER**, since in his case, there is an even greater difference between the benefits received and the services provided: Vajna does not finance a soccer team, or even a low-circulation weekly magazine. Though he is the NER's strongman in the film industry, this area is not among the prime minister's priorities. It has been reported that Vajna will play a key role in setting up new pro-Orbán media sources. As a consequence of the war with Simicska, Simicska himself has thus far been uncritically servile, but his media outlets that reach masses of right-wing voters have become increasingly critical of the government, and the prime minister has instructed his men to set up a right-wing media empire for himself. Nevertheless, while for Garancsi, Szima, or even **Gábor Széles**, organizer of the "peace marches" and head of Echo TV, it is clear for the most part what the arrangements and compensation-based reciprocities are, only sums of revenue in the billions are apparent for Vajna. Likewise, there is a new titan of road construction, Duna Aszfalt Ltd., which produced net sales of HUF 58 billion in 2014. (This company increased its revenue by ten times over a period of five years.) Although few know the owners' names outside of their industry, it is not unfounded to assume that a future inner circle of oligarchs will be honored in the form of two suddenly wealthy gentlemen, even though up to now they have not yet laid down anything particular on the NER's table. To resolve these contradictions, the notion that Orbán intends to diversify his economic home front is quite sensible: instead of an inner circle of two players that has grown too big, a new, national team of oligarchs is on the way—**Hungarian capitalists just now emerging from the incubator, and the older second-string line, keeping their distance from both Simicska and Csányi.**

NOTE

- ¹ Krisztina Ferenczi, *Narancsbőr: Az Orbán-vagyonok nyomában* [Orange peel: Tracking down Orbán's riches] (Budapest: Tény, 2014).

Dávid Jancsics

From Local Cliques to Mafia State: The Evolution of Network Corruption

Post-communist Informality

Network culture and related informal institutions are widespread phenomena in Central and Eastern Europe (CEE). The network character suggests that not only two but many interconnected actors participate in informal exchanges and circulate different forms of resources through this widespread social infrastructure. Under the communist shortage economy, informal networks were important survival tools for everyday citizens to “get things done.” The relationship structure of family members, friends, acquaintances, ex-classmates, colleagues, and neighbors provided effective channels to obtain different forms of resources, from travel vouchers through home phones and cars to university admissions. Of course, these types of informal networks existed and still exist all around the world but in communist CEE countries they were more widespread compared to their Western counterparts.¹

The network culture survived the collapse of communist system in many countries in the region, although new patterns of informality also emerged. For example, the system of mutual favors, once widespread under communism, has been partially replaced by economic-type bribes, when the counter transfer is an immediate and strictly cash payment.² Another new element of postcommunist informality is that networks have become embedded into state administrations and informal interest groups captured formal institutions.³

Various forms of informal institutions enmesh the Hungarian society, too. Most of them fall into the category of corruption since actors exchange

organizational resources that do not belong to them. In many cases, ordinary citizens use their social networks occasionally when they try to obtain particular goods. In contrast to this, systemic grand corruption at the top of the state administration is different. Here, governing elites intentionally build networks in order to continuously siphon off huge amount of public resources from the system. Using an organizational sociology approach, this chapter discusses the main types and governing mechanisms of corrupt elite networks in contemporary Hungary. I will show the differences between the corruption structures of the current Fidesz–KDNP (Christian Democratic People’s Party) government—in power since 2010—from grand corruption patterns under the previous governments. In this chapter I use some elements of Bálint Magyar’s “post-communist Hungarian mafia state” concept.⁴

Professionally designed networks

Although the emerging mafia-style state established by members of the current Fidesz–KDNP government has unique features, there are also several elements of network corruption common under all postsocialist Hungarian governments. In contrast to informal social networks, which may provide effective infrastructure for occasional and spontaneous corrupt transactions at different levels of society, corrupt networks at the top are more consciously designed and managed. Here, corrupt actors build such networks to extract huge amount of resources from a formal organizational system over a long term. For this, the “network organizers” or “dominant coalitions”⁵ need to create and maintain steady and complex hybrid arrangements with the combination of informal and formal elements.

These professionally managed structures are similar to formal legal organizations for several reasons.⁶ As any other companies or bureaucracies, corrupt networks have to coordinate repeated activities of many actors in order to achieve the organization’s goal. Corrupt elite structures also have a division of labor. They need to specialize the cooperation of their subunits to fulfill functions such as search for resources among state institutions, design the less risky way of illegal extraction, deactivate internal and external control mechanisms, and link different elements of the network. Corrupt networks always need legally operating formal organizations, that is, “cash cows” that produce and/or allocate public resources to milk.⁷ This feature of corrupt networks significantly differs from organized

crime arrangements that realize profit from originally illegal activities such as prostitution, drug and gun trafficking, gambling, or protection rackets. Organized crime groups create and use formal organizations only for secondary reasons, such as for laundering dirty money or covering illegal profit making.

Since every corrupt activity includes an informal allocation of formally assigned resources, corruption always violates the official rules of the focal organization. However, in most cases, it also means the violation of society's codified norms, the criminal code, or other laws. Corrupt actors must hide this permanent rule breaking. They therefore need to conspire together and to achieve this a network structure is much more suitable than other governance mechanisms common in the "legal world."⁸ The network provides effective communication channels, enabling information to flow quickly between the corrupt actors. It is also a suitable structure for quick and constant adaptation to the uncertain environment. A network is a safer and more flexible form of managing risky activities than impersonal market coordination, typical in low-level dyadic corrupt transactions, such as bribes.⁹ Another advantage of the network structure is that in the case of exposure of some elements, the whole network may survive since many parts are only loosely linked to each other with weak ties.

This chapter identifies the main types of network corruption in contemporary Hungary. Each represents a distinctive phase of Hungarian grand corruption evolution. These ideal-types do not exist in their pure form in real life. When a new type emerges, the old one does not disappear immediately. Both coexist but the new forms become dominant and the old arrangements gradually lose ground.¹⁰

Brokers: Key Actors of the Network

Brokers are intermediaries in the process of exchange of valued resources from one actor to another.¹¹ They fulfill important roles in corrupt networks. The most basic brokered relation requires at least three actors: a sender and a receiver, who are the parties of the transaction, and the broker who is between them. However, more complex brokerage structures may exist. In corrupt exchanges, brokers may be either individuals or formal organizations (e.g., law firms or shell companies).

Corrupt deals have significantly higher transaction costs than legal economic transactions, since the actors have to secretly find their corrupt

partners. Participants of corruption cannot get help from legal institutions, such as the police or the judiciary, to enforce the corrupt deal if the partner breaches the agreement. These factors make corrupt exchanges especially risky. Corruption brokers have important roles to reduce the risk and uncertainty and, thus, the transaction cost of corruption.¹² They help introduce corrupt partners to each other and act as a guarantor in the case of low-level trust between the partners. In some cases, they provide full protection for their principals by hiding the identity of the other party. Beyond their transaction-reducing function, corruption brokers have other roles that will be discussed in the following sections.

Competing Corrupt Networks

After the collapse of the communist system in 1989, interest groups started to compete for state resources and market monopolies in many Central and Eastern European countries and they were not too shy to use illicit tools to achieve their goal. After the mass privatization process in the early 1990s, oligarchs emerged and gained control over important segments of the post-communist economy. They also became powerful contributors of political parties and with legislative support they were able to create monopolies in sectors such as energy, mining, media, and construction.¹³ Although oligarchs are dominant actors in postsocialist economies and able to misallocate significant public resources, their power is not absolute. Their economic success depends on particular political regimes.

The era of the 1990s and the early 2000s in Central and Eastern Europe can be characterized as *competitive particularism* when there was no monopoly of power.¹⁴ Whoever seized the state and siphoned off its resources might lose power in a future election. In Hungary, in contrast to the more “advanced” mafia-type corruption after 2010, the main control mechanisms (e.g., prosecution, court, opposition, free press, civil society) worked, at least occasionally, in this competitive period and represented real threats to corrupt actors. In order to reduce such risk, oligarchs attempted to influence these control institutions through informal contacts, though this strategy did not always succeed. There are various examples from this era when investigative journalists followed dirty money, revealed corrupt machinations, and published articles about them. Many times the accumulated public pressure finally forced authorities to start

an investigation. In these cases the oligarchs' informal connections with the police, court, or prosecutors could not guarantee the survival of the whole corrupt arrangement and some elements were inevitably exposed. Although oligarchs had passive power to protect themselves, their active power was not enough to influence processes and stop investigations.¹⁵ In this situation, corruption brokers fulfilled the "fall guy" function and were arrested instead of the oligarch.

The current formation of the mafia state suggests a different pattern. Here, a small political elite strictly controls the mass media and, thus, stories about corrupt government members rarely trigger national-level scandals. Although independent websites and blogs regularly reveal illicit practices, this sector of the news media is generally read by a small group only (young urbanites) and therefore judicial institutions are not pressured by public anger to initiate investigations.

During the competitive period, two distinctive corrupt network types emerge: local and interorganizational networks. In the case of local networks, corrupt local elites capture particular companies or large-scale projects. The second type implies cases when oligarchs and political actors create more complex interorganizational structures in order to uninterruptedly extract resources from municipal-level structures or entire economic sectors. The network of the mafia state that emerged after 2010 is significantly different from the arrangements of the competitive period.

Local Organizational Structures

In local structures, public managers and civil servants capture organizational structures and illegally "sell" the resources of their own organization. In order to manage this process smoothly, they need to develop internal informal networks. Organizations captured by these local elites "eat up" their own resources, which significantly reduces their effectiveness and efficiency. The cases of the Budapest Transport PLC or the Hungarian State Railways are good examples of this cannibalistic network type.¹⁶ Elite members of such corrupt arrangements have strong decisional power to choose suppliers and other business partners of the organization. The most typical way to siphon resources off the system is by receiving kickbacks from these partners in return for approving overpriced

orders. However, long-term illegal profit extraction will call the attention of internal and external control agents, and corrupt actors must find a way to deactivate such mechanisms. The elite organizers of corrupt local networks do not have enough expertise, practice, and time to access the organization's technical operation, where the corrupt nature of a transaction can be obscured. Therefore they need the active collaboration of the organization's middle-level professionals, lawyers, accountants, engineers, and economists. The organization's top relies on middle-level employees who "technicize" the corrupt agreements and hide them in the organization's technical systems. This makes corrupt transactions invisible to investigators.¹⁷ A good example of technicization is the call for tender of the Hungarian tax authority that intended to purchase cars for the organization in 2009. The tender documentation included a complicated description of the cars' required parameters, from the length of the car to the exact size of the trunk. The conditions were perfectly tailored to a specific model of one particular carmaker.¹⁸

Dominant coalitions of corruption always face challenges to find trustworthy corrupt partners. In many instances, the long-term partners turn their already existing legal business relationship into a corrupt one by using the technique of overpricing and kickback.¹⁹ The fact that partners have known each other for a long time may significantly reduce the risk of corruption. However, in other cases future corrupt partners do not know each other. There is a structural hole between them, which requires "nonredundant contacts" or brokers to bridge the gap.²⁰ The most typical broker type in the competitive period is the *freelance broker* who connects strangers, negotiates between them, and controls, hides, and manipulates information flow in order to extract the maximum commission for himself. These brokers are often well connected to certain ministries, state-owned firms or local governments. In many cases, they were managers in these institutions before their freelance career and they still know the current leaders in the previous workplace. Many of them were their former colleagues or subordinates. They often receive insider information from these connections about future projects and decisions, facts that are not known by other economic actors.²¹ Connections, information, and their experience in the public procurement business are the main capitals that such brokers "sell" in corrupt deals. Freelance brokers are better connected to the bureaucratic administration than to political actors; however, these two realms overlap more in Hungary than in a typical Western country.

Extended Interorganizational Structures

In the competitive period, more complex corrupt systems exist along the local networks. Powerful actors, oligarchs, majors, or elite politicians are able to build and maintain extended corrupt networks. Since this type of corruption is organized in larger economic sectors, towns, or districts, the network inevitably crosses organizational borders. This suggests that the organizers must control corrupt activity in larger areas and, for that, they need more sophisticated mechanisms to coordinate the corrupt system. One of these mechanisms is fulfilled by a new type of corruption broker, one who facilitates corruption between organizations and acts on the behalf of their bosses.

The well-documented real estate scheme in Budapest's Erzsébetváros district is an ideal-typical model of interorganizational networks.²² Here, a corrupt clique sold twenty-six multistory buildings between 2003 and 2005 in an historic district in Budapest that had been on the UNESCO World Heritage List. This consciously designed and maintained corrupt network constituted a complex web of actors: political parties, law firms, local government bureaucrats, offshore companies, the National Office of Cultural Heritage, judges, prosecutors, police officers, news media, corruption brokers, and family members.

In these extended networks a new corruption brokerage function emerges, the *representative broker*, delegated by a person or a group.²³ This broker is not a neutral entrepreneur, as we saw in local networks, but a politically partisan middleman who follows the orders of his principal. Such principals may be either members of a political party or oligarchs, informally linked to the governing elite. As corrupt networks grow, they face increasing external risks from different institutions, such as the judiciary, the tax authority, different audit organizations, and the media. One of the main tasks of representative brokers is to connect to these external organizations and turn off their control mechanisms.²⁴ It means that the most powerful actors of the competing period have "insider men" in many places. These brokers are able to protect the corrupt network from the authorities or block ongoing investigations. In many cases, the broker is the member of the particular control organization but it is also typical that he has his own brokers inside these institutions who can handle the situation.

However, as the Erzsébetváros case suggests, the power of the extended networks in the competing period is not absolute. They cannot always deac-

tivate every control. Due to power dynamics behind the scene, the influence of the media, or other unintended events, relatively powerful corrupt networks can rapidly collapse. This model differs from the mafia state emerged after 2010 when members of the “mafia family” are never investigated or arrested by authorities. When they fail, they are usually demoted.

Another type of representative brokerage has a different function. Instead of deactivating external controls, this broker activates control mechanisms for the corrupt elite. In large-scale infrastructure projects captured by corrupt governmental cliques, the open and direct communication between the operation company and the government’s decision makers, the private and public sides, is risky. In these cases the corrupt principal delegates to representative brokers in the project in order to ensure the uninterrupted extraction of the illegal profit.

The broker often holds a formal position in the project as a consultant or lawyer but in fact he represents the interests of the dominant coalition on the government side. During the first phases of an infrastructure project, the broker helps the private company win the tender. For example, he works close with the firm’s management to prepare a call for tender best tailored to the company’s characteristics. Then the tender will be announced by the authorities and won by the private company. Later in the project the broker’s role changes. This time he supervises the corrupt agreement between the parties and guarantees the smooth flow of the kickbacks from the private side. Usually the company must pay the corrupt organizers’ share immediately and every time project money appears in its bank account, the broker’s task is to bring the cash to his principals. If the payment is delayed, the corrupt organizers can impose different types of sanctions against the company: authorities may reject the firm’s invoice, they may freeze its bank accounts, or audit organizations may start an unexpected investigation.

Networks of the Mafia State

The network structure of grand corruption changed in Hungary after the current Fidesz–KDNP government coalition came in power in 2010. The coalition won two-thirds of the parliamentary seats, which provided them enough power to change the constitution. A small, close-knit group within the governing elite used this unprecedented power to build an organized syndicate. Due to a new, biased Election Law and the official propaganda in 2014, the coalition was reelected and won local and European elections

with an undisputed majority. The media also has a special importance in this system. The new government relies on a powerful media empire that has both public and private elements. The public service media is under control of a dominant coalition and used for propaganda and “brain washing.” In national news suspicious cases about illicit practices—revealed by still-existing independent watchdogs and investigative journalists—are never mentioned. The majority of the private media, newspapers, TV and radio channels and websites, is also in the hands of oligarchs indirectly linked to the state. These private organizations are not used for propaganda purposes only, but also for money extraction by publishing advertisements ordered by state-owned companies or other public institutions.²⁵ This media is private only on paper because without generous state subsidies such companies would not survive within competitive market conditions.

During the competitive period several oligarchs, majors and politicians siphoned off large amounts of resources illegally from public institutions through gaining informal control over organizations, projects, or local governments. However, the operational logic of the mafia state is quite the opposite. Previously, corrupt actors sought cash cows in a more or less Weberian-type rational bureaucratic structure and built a corrupt network around it. In contrast to this, in the new system the whole state structure is controlled and operated by informal networks.²⁶ Such an arrangement is not a poisoned outcome of corrupt activity but rather the main guiding principle of the entire governance system. Under the rule of the organized syndicate, competitive particularism disappears and power becomes monopolized. This suggests a power structure similar to patrimonial societies.²⁷

During the years of corrupt competition, the public administration’s governance mechanism was mainly hierarchical, and in this context deviant networks occasionally emerged. In contrast, the formal institutions of the mafia state are coordinated by informal networks. It is not rare that actors who do not have any formal affiliation with the official realm rule important institutions. The government structure is entirely adjusted to the demands of informal groups. The best example of this informal influence is Árpád Habony, the prime minister’s senior advisor. Habony often sits in on the governing party’s board meetings and his power is allegedly greater than that of most ministers, while he does not hold any official position in the state administration.²⁸

The organized syndicate’s corrupt elite controls not only individuals or organizations, but many previously independent spheres of social life.

The mafia state becomes the dominant mode of social organization and turns almost the entire public distribution system into a monopolistic quasi-market in which informal networks control everything from prices to market access. However, since Hungary is still a democratic country on paper and a member of the European Union, the illegal reallocation of these public resources must happen within the country's formal institutional framework. The syndicate can extract money only through public tenders and procurements involving a large number of actors. Obviously there is a much easier way to extract resources in a dictatorship. For example, Mobutu, the president of Zaire (later the Democratic Republic of the Congo), personally controlled one-third of the state budget.²⁹

The mafia state takes clear steps toward rewriting the official rules of public resource allocation in order to make the illegal extraction easier. This process closes the gap between the law and the informal practices and thus legalizes corruption. However, it cannot totally neglect the still-existing universal norms and duties derived from the country's EU membership. It has to play, at least seemingly, by the rules of democracy.

In the era of mafia state, two new types of representative brokers become dominant: the *gatekeeper* and the *economic strohmann*. Organizers do not need brokers who link the network to authorities and audit institutions. These control mechanisms are not turned off by individuals but are constantly deactivated by systemic mechanisms. The corrupt elite rarely influences directly the police, prosecution, or court because the activity of such organizations is coordinated by clan control mechanisms.³⁰

Employees in state institutions instinctively know what should and what should not be done. In these organizations, intense socialization processes, patron–client relations, and high social cohesion provide effective mechanisms for monitoring compliance and regulating the behavior of the members. Here, loyalty and dependence often overwrite rule-based impersonal hierarchical coordination mechanisms. We can find a similar pattern in the government-controlled mass media, where editors do not need to personally intrude into news production.³¹ Self-censorship works perfectly among journalists. They know what topics are taboo and which persons are untouchable. The main outcome of widespread clan control in the public administration is a closed system that provides a safety playground for the corrupt elite. Checks and balances are permanently deactivated and the separation of powers exists only on paper.

The so-called “*trafikmutyi*” [tobacco fifty-fifty], a tobacco retail case, is a good example of control deactivation and the government’s aspiration to administratively restructure important spheres in society. In 2013, the government made the previously liberalized tobacco retail business a state monopoly and announced a tender for a twenty-year concession to sell tobacco. This greatly reduced the number of business units from 42,000 small entrepreneurs to 6,000 newly created tobacco shops with the exclusive right to sell cigarettes and cigars. Based on cases revealed by investigative journalists, more than one-third of the concessions were obtained by a privileged group, such as oligarchs and politicians’ families, all closely linked to the national government. Despite the fact that these cases required the coordinated action of thousands of participants, the state’s control institutions, such as the police, prosecutors, and other audit organizations, did not take any steps to investigate this systemic corruption scheme. This suggests total control deactivation in the Hungarian public administration.

The organized syndicate structure needs new brokers to fulfill buffer functions in the areas where the system is still open to external forces. This is mainly in the intersection of the state and the economy where gatekeeper brokers emerge.

Gatekeeper Brokers

Even the mafia state’s corrupt networks have to hide their resource extraction behind real public projects. Since most projects are not fake, just extremely overpriced, the corrupt elite needs a consistently large number of firms with specific expertise and experience to do the work in a project. These are medium or small-size companies that actually run huge infrastructure projects as subcontractors. These enterprises should be willing to participate in illicit deals and their bosses must be loyal to the dominant coalitions of the network. However, since these firms pose some level of risk, they are not allowed to directly communicate with network organizers. Gatekeeper brokers stand between the two parties. Even to connect to a broker, companies need personal recommendation from a referee. Indeed, in the mafia state, ministries and other public institutions are surrounded by gatekeeper brokers, many of whom often have formal positions in law firms. Their main function is filtering and buffering between the state and the economic actors.

Overpriced state projects have more or less standardized corruption costs. For example, one of my interviewees, whose firm often wins restricted procurements,³² told me that the actual cost of the projects was usually less than 50% of the contracted amount. The surplus was split in half with a particular ministry. The kickback was regularly returned through subcontracts with shell companies. All discussions to plan and coordinate the company's participation in future projects were held in a gatekeeper law firm's office. My respondent also mentioned that all public procurements ordered by this particular ministry have followed the same pattern over the last few years. The standardized corruption price in this story suggests the institutionalization of illicit practices. The participants are able to calculate corruption costs as any other expenses, which is an important transaction cost-reducing factor. Actors do not have to bother with time-consuming negotiation over the corrupt prices.

The corrupt structure that emerged after 2010 is a consciously created and sophisticated system. Although the organizers' power is almost absolute, they pay close attention to their deals in order to maintain their appearance of lawfulness. As part of this "corruption policy," fake projects that do not produce real outcomes are not permitted by dominant coalition members. Roads, bridges, and buildings must be actually built, just for a much higher price than would be charged in a normal economy. Cash exchange in corrupt deals, a widespread practice of the competitive era,³³ is also uncommon. Instead, money is extracted through legal contracts, which require a large amount of "clean" companies. This is the main reason to the appearance of a new brokerage type, the economic *stróman*.³⁴

The *stróman* is not a new phenomenon in Hungary yet its significance has been growing since 2010. Hungarians often use the term "*stróman*" (from the German *strohmann*) for individuals acting on behalf of somebody else. The aim of placing a scarecrow (straw man) in a field is to scare birds away by getting them to believe that a real man is standing in the field. An economic straw man serves a similar purpose: he/she pretends to be a real and competent participant in an economic transaction, but this is not the case. The use of the term *stróman* can be tracked back in the 1930s when the "Jewish Law" in Hungary significantly restricted the number of Jews in liberal professions, public administration, and in commercial and industrial businesses. Jewish owners were forced to pass their enterprises to new Catholic owners on paper but many of them continued to control the company from behind the scenes. Hungarians used the word *stróman* to refer to these visible but fake Catholic business owners.

The economic *stróman* is a formal owner or top executive of a company. However, he always acts on behalf of a secret owner or shadow principal who is usually not affiliated with the organization.³⁵ The *stróman* is a special type of representative broker, since he must be formally related to a legal entity. He is the extended puppet of his principal, representing his boss through a company in the legal realm. Such firms that cannot be traced back to their real owners are called “anonymous shell companies” in the literature.³⁶

The role of the economic *stróman* and his shell company is often technical. In this case, the firm is simply an empty shell without real operations, offices, assets, or employees. They are embedded into the complex organizational and contractual structures of public tender winner consortia. Corrupt networks use them as technical vehicles to extract corrupt profits from the system. They are able to receive money from other organizations legally and the *stróman* as a representative of the shell company withdraws the cash from bank accounts.

In other cases, the shadow principal is a politician or a public servant whose direct involvement in certain business activities is limited or banned, or who wants to hide his or her ownership from the outside world. Here, the company has real operations, assets, and employees, and the secret boss controls it via the *stróman*. This is a live shell company.³⁷ For example, the tobacco retail case mentioned above involved thousands of live shell companies, each run by a *stróman*. The companies that won tobacco concessions were owned and managed by friends, family members, former colleagues, or business partners of the governing elite. It was obvious, though, that they are not the real owners of such firms.

Another good example of *stróman* brokerage is a law firm that manages the sales of Hungarian residence permits. Wealthy foreign (mostly Chinese) citizens are allowed to buy Hungarian residency, which provides them with access to the European Union and, later on, citizenship. Interestingly, the Hungarian state gave the concession rights of this huge multibillion forint business to private companies with unidentifiable offshore ownership structures. The *stróman* law firm represents secret owners of the offshore companies.³⁸

Economic oligarchs also use *stróman* brokers and their live shell organizations for security reasons. The *stróman* may fulfill a “fall guy” function that buffers risks between him and the oligarch. When things go wrong, the *stróman* will be responsible for the tax, salary, or mortgage debts of the

shell company, while the real owner is protected. There are many examples of the scheme when the stróman's company, embedded in a complex structure of subcontractors, goes bankrupt and cannot compensate other entrepreneurs and suppliers. The affected firms will never get their money, since the shell company does not have any assets, being emptied before the filing of bankruptcy.

Network Dynamics of the Mafia State

Corrupt networks are complex social systems. Although they often use and misuse formal organizations, their main arrangement is based on informal interpersonal relations. Some parts of the network are tightly connected, while others are loosely coupled. There is a small, trust-based core organizer group located at the top of this arrangement. However, this high level of trust has a paradoxical feature. The fact that these actors know a lot about each other's illicit practices significantly increases the risk of engaging in this sort of relationship.³⁹ They become interdependent and capable of blackmailing or informing on their fellow network members. As with any other collectively operating social group, the corrupt networks are not homogeneous, either.⁴⁰ Although the mafia state's networks are much more centralized⁴¹ than they were in the competitive period, we can still identify a high variety of relational patterns within the informal structure. In many instances there is a hierarchical patron–client relationship and high dependence between the actors, but there are also relationships between socially equal partners. The sequences of horizontal and vertical network segments constitute a complex corrupt network structure. The informal character provides strong dynamics in corrupt networks. Although the authority of the mafia's godfather is unquestionable, the status of other vertically integrated actors under him constantly change, mainly because of the godfather's strategic turns and power struggles among the soldiers. Since nobody ever knows who will fall or rise the next day, the uncertainty and dependency are constantly in this system.

Conclusion

The multiplayer network type of corruption has always existed in postcommunist Hungary but it has been more widespread since the early 2000s.⁴²

There are members in all groups in Hungarian society who occasionally use their informal networks for corrupt transactions. For this, they often use intermediaries when ex-classmates, colleagues, neighbors, or family members help them find corrupt partners.⁴³

Network-type corruption at top levels of state institutions and business organizations is different. The overlaps between Hungarian business and politics started to spread in the mid-1990s. This is the period when homophilic business networks, connected to particular political parties, emerged. Actors in a network conducted business mainly with partners who were linked to the same political formation. These business networks significantly proliferated when their political party came in power.⁴⁴

By the late 1990s, we can find more consciously organized and highly complex corrupt structures that first captured only organizations or large-scale public projects. Their operation was facilitated by freelance brokers. In the early 2000s, corrupt networks were able to capture larger segments of economic sectors or entire local governments and built monopolistic positions within these territories. However, their power was limited and dependent on the color of the governing political party. The media, authorities, and auditing institutions occasionally investigated and exposed some parts of these corrupt structures.

Corruption in the mafia state is qualitatively different. It is highly institutionalized and systemic. Institutionalization means that corrupt practices are now the normal element of everyday government business. Routinized corrupt transactions are embedded into other formal organizational processes.⁴⁵ Although there were signs of institutionalized corruption during the previous socialist governments in the 2000s, the phenomenon expanded after 2010.⁴⁶ Corruption is also systemic, meaning that corrupt networks are repeatedly produced outcomes of the Hungarian state. We cannot understand and interpret the public administration system without considering corruption as one of the main explanatory factors. Conscious resource extraction from formal arrangements is an important operating mechanism. This corruption changes the entire state system into a huge cash cow for a small elite, the tool as well as the main source of illegal money making.⁴⁷

NOTES

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Zoltán Lakner

Links in the Chain: Patron-Client Relations in the Mafia State

1. The Exception Is the Rule

The conceptual apparatus of the mafia state desires to attain a circumstance when not only “ordinary” corruption dominates the government, and not “simply” the occurrence of state capture has to be taken into account. The essence of the “octopus” is political and economic power that builds onto and within itself. It is not an external interest group that puts the management of the state under its control, but a coterie that acquires it “directly,” with the goal of mobilizing the complete array of assets of the state, from financial resources to legislation, for its private benefit. In this world of legalized corruption, the far-reaching and unquestionable supremacy of the central government takes precedence over the rule of law.

In this context, it is useful to consider Giorgio Agamben’s study on the “state of exception,” in which laws are created for an emergency situation after the ruling majority has declared that an emergency exists.¹ Agamben sees a threat to democracy lurking in the resulting state of exception, because **in theory it denies the fundamental principle of modern legal practice that laws also apply to the legislators who create them.**

A characteristic feature of the expansion of the Orbán regime is identifying long-standing errors and poor operational practices, and launching a comprehensive “national rearrangement” in reference to these. It gives itself a “revolutionary” mandate, so that assets and responsibilities are transferred by the political dominance of a constituent majority into the hands of the government for a complete restructuring of the political and institutional sectors.

The subject of **poor governance** enjoyed special attention in Hungarian political science and political analysis prior to 2010. György Jenei mentions divergences and “degeneration” in a study that summarizes conclusions drawn from a comparison of Hungarian public policy and European-wide trends. It was a **divergence** that Hungary adopted a market economy, liberal democracy, and rule of law much later than Western countries. Simultaneous with the development of democratic institutions, a market outlook began to take shape, followed almost immediately by the need to restructure public service on a historic scale due to EU accession. But he considers it **degeneration** that the functioning of public institutions displays the typical signs of political patronage. This has led to authoritarianism, corruption, the intermingling of personal affairs, and an excessive emphasis on politics, which endangers legality, efficiency, and outcomes. Jenei believes that this is further aggravated by the excessive use of private market practices in the public sector. These aspects he evaluates collectively as **neopatrimonial degeneration**.²

It is noteworthy that the institutional system of the Kádár regime, then in its final days, was also regarded by András Hegedüs in 1989 in patrimonial terms, which is characterized by the state and bureaucracy becoming the property of the ruling party and its instruments of power operated by the patrimonial bureaucracy.³ Francis Fukuyama has also used “neopatrimonial” as an attribute for modern governments, although in connection with Sub-Saharan African countries. These are characterized by leaders who use their political power to serve a network of clientele and supporters in a given country. This can lead to “predatory” behavior, when even a single person can expropriate a large portion of society’s assets. Elsewhere, there is “only” the self-interested economic influence of the state, such as when property rights are allocated to the members of a particular client group. It is also not uncommon that an administrative system following a formal modern pattern coexists with a neopatrimonial network and competes for resources with it. The outcome of this competition can hardly be in doubt, especially if the neopatrimonial system of government “is embodied in the president’s office.”⁴ Tamás Sárközy has coined the term “gangster governance” for when a group with a symbiotic relationship with crime takes over the state. In his view, a neopatrimonial system is a “milder” form of this, in which political and economic power are intertwined, and governance is designed to operate a client network.⁵

While emphasizing that a comparison of the post-2010 situation in Hungary with both Sub-Saharan countries and Hungary under state party

rule requires extreme caution, the essence of the problem is still similarly **the excessive influence of the party in public administration, which does not manage affairs, but rather relegates professional aspects of public policy making to the background and brings the client system to the fore.** The “national realignment” after 2010 has entailed frequent violations to constitutionalism and the rule of law. Neopatrimonialism strengthens this degeneration further, and poor governance maintains its previously criticized character, indeed, even becoming a feature of the regime. Dávid Jancsics formulates it this way:

Neopatrimonial states try to convince their citizens why it is good for them to preserve an institutional system that chugs along at such a low level of efficiency. The state fulfills an important legitimizing function for the corrupt elite in such cases, appearing as a combative defender of the people against those currently designated as the enemy, instead of an entity that responds to real social problems.⁶

It should also be noted that for Max Weber, the patrimonial lord belongs to the “eternal yesterday,” that is, the traditional type of authority.⁷ Treating the country as a royal estate is legitimate precisely because the reign is inherited by tradition. In contrast, neopatrimonial features develop in states where decrees on the type of legal rule indicate the points of alignment. The essence of the neopatrimonial system is that power relationships formally meet the legitimizing procedural requirements of democratic rule, but the actual content of the political system can be described by the continuous overstepping of the boundaries of a legitimate exercise of power and the formal legalization of these transgressions. But while the reign of the patrimonial lord is legitimate, **the neopatrimonial regime is illegitimate, and its existence is equated with the tendentious abuse of power. Therefore, it should instead be called a mafia state, as the regime’s legitimacy is not in accordance with the essence of its own nature as the ruling power.**

From one aspect, of course, this also shows that the ideologized rhetoric of the state acts as a facade for the regime, continually keeping the party faithful “fit” by providing crutches for their thoughts should they ever become uncertain. From another aspect, the narration of events and usurpation of words and concepts is designed to monopolize definitions. **In addition to creating rules and exceptions, monopolizing the interpretation of the rules hobbles potential political opponents,** as this monopoly

on definitions is closely linked with either dominating forums where interpretation and debate take place, or rendering them silent or inaudible. The tools used to do this are again only for the operation of the mafia state: **regulating the media, making access to public data difficult, and acquiring ideological educational institutions.**

This is closely related to the topic at hand, the conscious creation of situations of dependency. Indeed, when the government formulates its own ideological expectations for certain groups, it simultaneously gives its own functionaries the right to pass moral judgment. If there are no clear and stable legal standards (and the essence of the regime is that there not be), only vague expectations, and an interpretive, stigmatizing monopoly takes a primary role, then expectations can become politicized indefinitely. The livelihood of every employee, entrepreneur, business, or organization is exposed to the extreme as to whether their loyalty to the system of the mafia state is found to be sufficient or not, or if there is someone, away from public view, who is outbidding them on the “loyalty auction” without their knowledge. This mechanism first creates the opportunity for a purging, then incessant conquest, the suppression of social autonomy, and the successive integration of a wide variety of professional and social groups.

Therefore, in addition to the full acquisition of financial resources and the permanently exceptional legislation that makes this possible, the regime uses an ideological monopoly on definitions as a weapon. These collectively create the world of dependent relationships that this study wishes to address. **The mafia state rejects coequal relationships, viewing any type of autonomy, whether financial, organizational, or in mindset, as a potential source of danger.** It does not work with partnerships, as the establishment and stabilization of patron-client relationships is the social environment in which the logic of acquisition and expropriation can remain indefinitely enforceable on both the material and spiritual planes.

In the following passages, I will attempt to show the forms this dependency has taken so far by relying on a variety of examples, though they are not intended to be a comprehensive list. **The objective is always the same: the mafia state deprives resources and legal guarantees, eliminates the autonomy of markets and organizations, and shapes relations that are horizontal into ones that are superior-subordinate.** The different cases, however, require dissimilar ways of handling them, and the imagination of those who maintain the octopus state has produced a sprawling richness of forms.

2. Types of Dependency

The main assertion of the present study is that “everybody is a link in the chain,” or at least the objective of the Orbán regime is to reach every citizen and economic and social entity, and integrate them into the hierarchical system of dependency.

Since there are many varied circumstances in life, the methods to achieve this integration are therefore also varied, while the objective is the same: a one-sided dependence, the creation of vulnerability, and the unlimited control of financial resources, for which the basis and motive is the use of exceptional legislation and ideological warfare. **This is why the logic of the mafia state cannot be easily discerned in many cases, as the methods used differ from each other on the surface, although their goal is always the same.**

Along with this, a subject often brought up is the abuse of society’s “disgust with politics” and the desire to conform. For if we do not, so to speak, “engage in politics,” and not venture into the ruling party’s territory, then it will leave us alone as well—as believed by many. This assumption persists even when the assault has already begun. Policy-based arguments and isolated interest advocacy that do not link together groups suffering from the same grievances are ineffectual against the mafia state’s logic of gaining control of everything.

The purpose of negotiations on the part of the state is never to reach an agreement between coequal parties, but is, at most, an assessment of strength and postponement. Ideas for extending its reach that are made public even just once are implemented one by one, and usually the version that appears the most irrational is put into practice. The decision is generally closed off to the public and has a hit-and-run quality about it, but has long-term consequences. There is no later correction, or more precisely, it occurs only within the context of mafia state logic, in the form of legislative modifications, the redistribution of resources, and profit maximization.

It should be added to this the Premier did in fact retreat on the issue of introducing of a new tax on Internet usage in the fall of 2014. It is difficult to determine whether this can be considered a case of actual corrective intent, or whether the government will return to its original idea in a roundabout manner. In any event, it was an important experience for society, that resistance is perhaps not impossible nor meaningless. It would

be premature, however, to say that this experience has already changed Hungarian political culture, or even nudged it toward greater activity.

2.1. State Apparatus: A Deep Purging

One of the first decisions of the National Assembly when it met in 2010 was the adoption of a law on the legal status of public officials, which stated that the government can terminate the employment of civil servants who have become public officials without reason and with two months' notice. The group of those defined as civil servants who have become public officials are those working in the Prime Minister's Office, the ministries, government offices, central offices, as well as local and regional bodies of the latter offices, the regional public government administration agency with general jurisdiction, the agency with legal supervisory jurisdiction over the local municipalities, the police, the Customs and Financial Supervisory, correctional facilities, disaster relief, and the National Communications Authority.

According to the legal justification, it was a taxonomic inconsistency that according to a 1992 law on the legal status of civil servants, these employees were allowed to terminate their legal relationship at any time without reason by giving two months' notice—which could even endanger the provision of state functions in certain cases—while the government, as the employer, can only dismiss its civil servants in specified cases and on grounds (incompetence) corroborated with actual and reasonable justification, which is essentially not applicable according to established judicial practice. The legislature argued that it would be fair if the state was able to terminate its legal relationship with them under the same conditions as public officials have.

President **László Sólyom** sent the law back to parliament. In his view, the introduction of a no-fault dismissal procedure threatened the functioning of public administration with regard to aspects of neutrality and professionalism, and that it conflicted with European Union regulations. In that same month, despite the objections of the head of state, the National Assembly passed the law regarding the termination of employment through no-fault dismissal for civil servants who have become public officials.

Still in 2010, the ruling party also **forced through an amendment to the law on the legal status of civil servants**. It stated that on 1 January 2011, similar to state administration, no-fault dismissal would also become

possible for public administration. According to the law, simplifying the termination of legal relationships with public servants would enable the opportunity to develop a quality team of professionals and increase the quality of work done in public service, which needed to be implemented in public administration as well as in state administration.⁸

In February 2011, the Constitutional Court annulled regulations related to the no-fault dismissal of public officials. The Court argued that the efficiency of public administration could be enhanced if the protection of officials from dismissal in these places were lessened, but the National Assembly needed to compose a law that struck a balance between protecting the constitutional rights of public officials and achieving the government's objectives. It found that the power to dismiss without obliging the employer of the public official to give a justification disproportionately, and therefore unconstitutionally, restricted the right to be employed in a public office. Within the framework of the constitution in force at that time, the legislature had extensive freedom to decide on regulations that determined the conditions for dismissal, but this freedom to decide did not extend so far as to give unlimited decision-making powers regarding the dismissal of officials employed in public offices to those exercising the employer's rights.⁹

The Constitutional Court annulled the legislation, but with this annulment to take effect on 31 May 2011, claiming that annulling it immediately would also have abolished regulations on the resignation process of public officials, and that the National Assembly should use this time to create new regulation. However, the government continued to apply this law in the period up to 31 May, despite it being deemed unconstitutional.

Following the annulment of the law, the civil servants and public officials who had been dismissed without cause were not given their positions back. In 2012, the European Court of Human Rights in Strasbourg awarded €6,000 in nonpecuniary damages to a former public official who had been dismissed without cause on the grounds that **the lack of a cause deprived the complainant from the possibility of effective legal redress**.¹⁰ In December 2012, the Strasbourg court rejected an appeal by the Hungarian government, so the ruling became final.¹¹

It is difficult to estimate the extent of those affected by the accelerated termination procedure of no-fault dismissal, and the depth that it has penetrated the organizational structure. Imre Forgács and István Hoffman wrote in 2011 that the relevant representatives at the Ministry of Public

Administration and Justice (KIM) responded to their inquiry on the matter with unverifiable data, and moreover, since the summer of 2010 only data on new hires have been made public, while the data on dismissals have been “spotty” at best. They posit that not even unions have this data, or if they do, then they are not publicizing it out of fear of retaliation. The legal amendment also gave the government the opportunity to make immediate staffing changes at several central bodies (Hungarian Financial Supervisory Authority, Hungarian Competition Authority), which is also otherwise standard practice for the government with regards to state dignitaries. Personnel changes at the top management level took place at other government offices and central offices in the summer of 2010, with the ruling powers then turning their attention to middle management after that.¹²

To understand these events, it is also necessary to consider another side of the developments that have occurred in the state apparatus since 2010. At the start of its term of office, the government decided that KIM would arrange hiring decisions for appointments and appointment nominations that fall within the competence of the Prime Minister’s Office, but KIM’s approval was required for every appointment in the entire government apparatus up to department head level. KIM evaluates the activities of the ministries, including their human resource policies, and has the right to initiate changes in personnel. The system of requiring the submission of applications for open positions has been discontinued in state administration, leaving only the formal system of the required basic and professional exams. Thus applicants do not compete for vacant positions on the basis of professional ability.

This key role for KIM has increasingly diminished over the past four years for political reasons, as a result of the loss of ground of Deputy Prime Minister Tibor Navracsics, who led the ministry at that time. The Prime Minister’s Office was given the status of a “superministry” in the latest Orbán government that began in 2014. In addition, the purges that took place in the reshaped Ministry of Foreign Affairs attracted attention, if only because they occurred in two waves. Tibor Navracsics, who had been transferred there, began laying off the old apparatus in the ministry, but after he was appointed to be Hungary’s EU Commissioner, Orbán’s previous spokesman, Péter Szijjártó, took his place and also removed some of Navracsics’s appointments. The questionable result of all this is that the quality of the staff in the ministry has dropped sharply according to many, whereas political loyalty has become nearly the sole criterion for the job.¹³

Massive changes in staff and the installation of new cadres also took place at the regional levels of public administration. In some counties, the exchange of cadres within administrative bodies in the first year penetrated all the way to the executive level, while elsewhere it only went up to departmental levels. The process of submitting applications for vacant positions was also discontinued here, whereas familial connections proved advantageous in many cases. Public notaries also became dependent policy makers, and along with the “stick” of an immediate dismissal, were also orientated toward dependency through the “carrot” of a pay raise to reward them for their loyalty. Politicians appointed to lead government agencies were themselves proof that the state can intervene in the everyday affairs of citizens and economic entities based on current political considerations.¹⁴

By changing these regulations, **the government on the one hand provided itself with the tools for purging the state and public administration immediately and up to any level**, while the centralization of appointments **allowed it to put public officials under its direct political control**. The possibility and practice of immediate dismissal, as well as control over personnel, has created oversight much tighter and less balanced than the previous legal relationship with civil servants: **the relationship between the government and public officials has shifted from mutual legal guarantees toward the direction of one-sided dependency**. The state also additionally “looks after” a **black list**, so that those dismissed do not reemerge in other parts in the administration. The state thereby ensures that political purges and political considerations determine the selection of candidates in the most thorough way possible.

2.2. Running the Faculty: Corporative Dependence

The Klebelsberg Institution Maintenance Centre (KLIK) was set up in 2013, and apart from exceptions permitted under the law, became the operator, financier, and employer of educators for all public educational institutions. In this way, **teachers, who were previously predominantly employed by the municipalities, are now tied directly to the state**. In 2015, the Educational Authority took over KLIK’s professional duties, but KLIK was maintained with reduced authority. As a result, two centralized bodies exercise control and supervision over public schools. This was accompanied by the creation of the National Curriculum, strongly reducing teacher autonomy, and later a plan to organize a teachers’ association.

According to a law passed in June 2013, the National Teachers Chamber (NPK) became a public self-governing agency for public servants employed in the field of education, and in public educational institutions run by state and municipal governments. Members of the NPK are teachers who have been appointed to positions in the field of education and within specific public educational institutions. This agency exercises the right to make proposals, comment on the creation and modification of legislation concerning public education and teacher training, and consult the head of the competent state body with authority in relevant areas on issues that affect its powers and responsibilities. It is creating a Teacher's Code of Ethics (expected in 2015), and its founding charter and the code of ethics, in accordance with the law, allow it to take action against its members on ethical grounds. **Complying with the provisions in the code of ethics will also involve sanctions:** upon determination of ethical misconduct, the ethics body can issue a warning to the teacher, may limit or withdraw allowances, benefits, and entitlements provided by the NPK, as well as strip the member of any role held in the NPK. While conducting its professional advocacy activities, the NPK respects the union rights provided in the law on the legal status of public servants and in the Labor Code. The minister responsible for education exercises legal supervision over the activities of the NPK. Information produced in the course of the NPK's operation can be disclosed by its members only if considerations are made for "the legitimate interests of the NPK."¹⁵

Although the positions taken by education trade unions did not entirely coincide with each other, they were all similar by opposing the creation of the NPK from the start, as well as the induction of teachers as members on a compulsory and automatic basis. Representational rights have been relinquished in the new public agency. Even before the law was passed, the Democratic Association of Teachers sent a petition to dignitaries against its adoption. In September 2013, the Teachers' Union filed a constitutional appeal with the Constitutional Court in which it objected to the forced membership, the restriction of expression, the adoption of the law without adequate preparation time, and the lack of clear norms.¹⁶

The chair of the NPK's Preparatory Committee stated that the trade unions who criticized the NPK by objecting to the restrictions on advocacy powers were "fighting with phantoms." She claimed that the government otherwise met with five unions prior to the creation of the NPK,¹⁷ but did not say whether their views were taken into account. In essence, there-

fore, the government established an organization in the form of the NPK, and did not exactly force teachers to join so much as signed them up for it. The NPK also took over the role of the unions, in that **the government regarded it as a representative negotiating partner by citing the fact of its mass membership, which was created by coercion.**

The NPK held its inaugural Delegate Assembly on 14 June 2014, where it approved its founding charter and elected officers. Hilda Merkl Kőrösiné mentioned nearly 400 candidates, but according to the Teachers' Union, the preparatory process was not transparent. For example, the rules on the nomination of delegates were not public, along with the number of votes that were cast for each candidate. The draft of the founding charter that was being prepared was also criticized for permitting the creation of an enforcement organization.¹⁸ Elected to head the organization was Péter Horváth, respected in professional circles as the principal of the Miklós Révay High School in Győr, who acknowledged in his first statement that **many regard the NPK as a servant of the government**, but stated that he was trying to change this image.¹⁹

It is noteworthy that the president of the NPK lodged a protest at the end of 2014 on the government's deviation (again) from its promise, previously set in law, to raise teachers' salaries. Yet, Horváth's complaint was not made on behalf of the NPK, but in a letter signed by similarly well-regarded high school principals, among them the heads of parochial institutions. And so the NPK did not ultimately use its instruments of advocacy, nor did the Ministry regard as a partner the representative organization it had created, whose leader expressed his objection in a contrary, "roundabout manner."

2.3. Promoting Culture, Science, and Civil Society: "Clergy and Cashiers"

The state traditionally plays a major role in providing aid to cultural, scientific research, and civic organizations in Hungary. Before 2010, however, changes in many of these areas took place with the intent of involving stakeholders and their organizations in aid-related decisions, while discretionary funding was limited to decisions of fairness as much as possible. Operating in this spirit, the activities of the National Civil Fund (NCA), National Cultural Fund (NKA), and the Hungarian Motion Picture Public Foundation (MMKA) were not argument-free, but their creation and oper-

ation were governed primarily by the inclusion of interests and transparency, and criticism of them also demanded that these declared goals be realized.

Since 2010, this area has also undergone a radical change. **The state centralized distribution, rescinded the right of stakeholders to disburse funds, and in many cases entrusted “proconsuls” with maintaining control over affairs in their specific area, from ideological guidance to controlling the organizational system and allocating funds.** It is a structural issue as to the proportions these proconsuls combine the roles of clergy and cashier (film producer Andy Vajna is obviously much more pragmatic than interior designer György Fekete, governor of the Hungarian Academy of Arts [MMA]), but certainly the possibility of satisfying this dual function is contained in the role model itself. This will be covered in the following examples.

The MMA was founded in 1992 with architect Imre Makovecz at the helm. In 2010, the government raised the idea of declaring the MMA a public entity, on the grounds that there was a need for an organization to play a role in the art world similar to that played by the Hungarian Academy of Sciences. The new Fundamental Law specified the MMA by name, and a law on the MMA followed in 2011. The public body was established on 5 November 2011, and those who were full members on 31 January 2011 could take part in its founding.

Apart from being elevated into the Fundamental Law, the MMA also attracted attention by receiving for free the state’s ownership stake in the Vigadó Concert Hall, the Hild Villa in Budapest’s twelfth district, and Múcsarnok Nonprofit Company, and by being given the right to use the Hall of Art (Múcsarnok) for fifteen years. With this background and through the competitive grants it offers, the MMA has become one of the main organizers and financiers of Hungarian artistic life. This happened despite the fact that the Constitutional Court objected in a 2014 decree to the circumstances in which the MMA was created, namely, that only those who were also MMA members in 2011 were permitted to participate in its foundation as a public entity, as considerations of plurality and neutrality were denied during its formation. But since the MMA is now run as a public agency and new legal relationships were established over a period of two years, the Court did not dissolve the MMA, but only requested that in the course of its operation it should respect the principles that it violated when it was founded.

The National Cultural Fund also underwent reorganization in 2010, with the minister responsible for culture becoming its president. The committee is endowed with decision-making powers for its guiding and coordinating principles and in certain cases—among other things—it makes decisions from proposals by professional boards and with the minister's consent on the sums these boards can access, and draws up their grant calendar schedule. Half of its members are proposed by professional bodies, while the other half are appointed at the sole discretion of the minister. The head of the commission, who is also the vice president of the NKA, was until 2014 the state secretary for culture at the Ministry of Human Capacities (EMMI).

The NKA's website reveals that the heads of these permanent professional boards are made up of three persons who were delegated by professional bodies, and seven who were appointed by the Minister. One example shows the importance of these professional boards: the NKA's Board of Cultural Festivals awards the funds from which grant winners of the European Commission's Cultural Programme have to cover their own share of the grant. It is worth noting that the Thália Theater, headed by Gábor Kálomista, was one of the biggest winners of grants from the NKA board, of which Kálomista himself is also chair.²⁰

Still in 2010, the National Civil Fund underwent its first change in power: László Csizmadia, one of the spokespersons for the Civil Unity Forum (CÖF), became the new head of this agency. Operating under the name National Cooperation Fund (NEA) since 2012, the institution has become one of the main sources of state aid to civil society organizations. It plays the same central role in the financing of these groups as the NKA does in the cultural realm. This is even truer because the government has attempted to deprive financial resources that come from any alternative sources, such as the Norwegian NGO Fund. The reshaping of the NEA, however, has likewise been characterized by centralization and political control.

While also serving as NEA president, László Csizmadia of the CÖF specifically and actively took part in the governing party's reelection campaign, and also appeared in public on many occasions as one of the organizers of the so-called "peace marches," which were supported by Viktor Orbán. Representatives from the ruling party have even appeared at CÖF events on several occasions. There is no direct flow of money between the NEA and CÖF resulting from this, but there is little doubt as to the political alignment of the NEA's leadership.

The story of the creation of the Hungarian National Film Fund Nonprofit Company is similar to that of the NKA and NEA. Led by Andy Vajna, who also acts as the commissioner on film affairs, the organization caused a huge ruckus at the time of its founding by giving itself the “right of final cut” in exchange for aid from the state, which many have interpreted as censorship. More importantly, perhaps, the government also has political control over the most important source of financial support for film production. While it cannot be stated that the decisions of the Film Fund’s Selection Committee of Film Professionals are solely politically motivated, the new organizational system opens up much more room for discretion than previously.

The government has also infiltrated the field of scientific research. From one aspect, recurring attempts have been made to compromise the autonomy of the universities through the introduction of a chancellor-type system. Its expansion into the university sector also includes establishing the National University of Public Service, with its own school uniform and in particular an extremely high budget compared to other institutions of higher education, as well as the favorable admission numbers that have been set for it. From another aspect, the government is attempting to break the dominance in the research field of the Hungarian Academy of Sciences, a body that until now has not at all been hostile to it, by **founding an entire range of research institutes**. The Tamás Molnár Research Center at the National University of Public Service examines Hungarian political and intellectual life in the nineteenth and twentieth centuries. 2013 saw the birth of the Research Institute for National Strategy under the leadership of Jenő Szász, who was the leading figure behind Fidesz’s failed attempt to organize the party in the Transylvanian region of Romania. For the moment, the institute is not excelling much through its cultural and research-directed activity, but appears to be much more of a spending machine that is incapable of providing information about the kinds of programs it runs.²¹ The Research Institute for Linguistic Strategy was established during the 2014 campaign, preceded by the Research Institute and Archives for the History of the Hungarian Regime Change, and the Veritas Research Institute for History, respectively led by Zoltán Bíró and Sándor Szakály (the latter also serves as both the head of the NKA’s literature and education section and the vice rector of the University of Public Service), as well as the National Heritage Institute.

The Premier is no stranger to the duplication of functions and organizations, whereby he can also make his high-level, influential func-

tionaries compete with each other and thus motivate them to express their political loyalties in the assignment they have been given. This may explain why a parallel set of institutions to the Academy of Sciences, or even the House of Terror has been created and receives direct budgetary assistance, thereby binding them even tighter to the state institutional system and keeping the opportunity open that **an increasing proportion of the money allocated for funding research be distributed through them and not through the traditional channels**. Furthermore, this also shows that **loyal cadres can never feel completely secure**, because positions that are even closer to the government can always be created. Thus, in addition to researchers applying for grants, **it also becomes possible to keep those who distribute the funds in a state of dependence**.

The particular importance of all this may be in the research (or “research”?) on national, linguistic, and historical issues, since an important component of the regime is its emphasis on ideological communication and historical legitimacy. **The research centers that have been established are able to play a key role in shaping the regime’s own canon, which is to say the ideological facade of the mafia state.**

2.4. The Nationalization of EU Funds

One particular instrument of economic intervention used by the government is not fully nationalizing a given area, but taking possession of specific strategic points; such as when an army does not initially occupy an entire region, but secures bridgeheads, key rail lines, and transportation hubs. The Hungarian government avails itself of this method in connection with EU tenders, which is governed by numerous European regulations. The government cannot risk openly violating them, or at least not on a regular basis, as doing so would endanger the EU funds that function as the main source of financing the mafia state.

János Lázár submitted a proposal to the government in 2013 which stated that private firms that write tenders could no longer work for state procurers. The ministries, county towns, and county municipalities are setting up their own tender-writing departments. Additionally, the idea of centralizing public procurements has also been brought up, as well as nationalizing the IT systems used for tendering. This type of nationalization does not conflict with EU law, since the state also maintains control over EU tenders in other countries.²² However, it is less common that busi-

ness groups who work closely with the governing party end up becoming the invincible winners of EU tenders.

There are indeed many problems with the tendering process, but it would likely be benefitted by a complete simplification of the procedure, and not nationalization. The main official reason for the change, the blockage of funds, has the least bearing on problems that actually occur in the tender-writing phase. In contrast, the state's involvement in preparing tenders also creates a hotbed of corruption, since the state puts out a call for applications and also judges them.²³

The government intervened in the construction industry in a similar manner, and again only through the allocation of EU funds, by requiring that only state planning agencies could design buildings funded from EU money or an investment by the government. Considering that the majority of construction projects in Hungary use EU money, and that the architectural profession was fully commercialized during the change of regime, in reality this means nationalizing the field of architectural design. Private offices simply cannot receive the EU and government commissions that comprise the bulk of the market. The market constricted considerably after the economic crisis. János Lázár, chief of staff in the Prime Minister's Office claimed that there had been corruption until then because of the outsourcing of business activities—the Chamber of Engineers (headed by Etelka Pataky Barsiné, a former politician in the Hungarian Democratic Forum [MDF], and later a Fidesz representative in the European Parliament) did not dispute that there had been abuses, but felt that an adequate response to it was not nationalization, but improving the supervisory mechanisms.²⁴

So far, there has not been an answer as to when and how the engineering firms that require investments of billions of forints will be set up and how the highly qualified engineers who match the job description will be obtained for this work, since there is no detailed regulation yet. However, the concept itself has not been withdrawn.

The government reorganized the institutional process of EU tenders after 2010, and plans new changes in connection with the 2014–20 budgetary cycle. The entire organizational system will belong to the portfolio of the chief of staff of the Prime Minister's Office in the future. The nationalization of tender writing and engineering work belongs to this latest wave of changes, in which the government is not only capable of overseeing the spending of EU funds as a whole, from the applying and awarding to the

planning and investing, but can directly control the process as much as it wants. All businesses and other organizations that apply for EU funds have to account for the fact that **there are more tools than ever before to favor companies that the government gives top priority to, as there also are to exact retribution against those who choose to rebel.**

2.5. Restricting the Rights of the Market

There has been a huge outcry in the post-2010 period regarding **scandals over land-lease contracts**: when state-owned agricultural land was offered for cultivation, rules on the size of the land, the quantity of related areas, and farmers' local attachments were only formally complied with in many cases, and even after that, these rules were weakened considerably after multiple revisions to the tender application system. There were three attempts by the National Land Fund and the Land Policy Council to rework the application and selection system, and eventually it became an application system that in practice excludes the local communities. For the sake of appearances, applicants had to pay an application fee of HUF 50,000, and even had to sign a confidentiality agreement (*omertà*, the conspiracy of silence, is as fashionable in the mafia state as it is in the mafia itself), while ample room was provided in the final tender application system for discretionary and subjective criteria over any objective conditions.²⁵

Thus, the objective of the "application" system was in fact to design a system for large estates that would bind them strongly and through many strands to the current party in power, and in more than one case to the prime minister personally, as well as his family, acquaintances, and business contacts, though the government both denied and attacked this in its official communication.

The story, however, does not end here. The **new land law** that took effect in 2014 also includes rules on the distribution of privately owned agricultural land, starting from an official preference that agricultural land remain in Hungarian hands. **The so-called local land committees have the right to grant permits for the buying and selling of farmland and forests, meaning that they have veto power with respect to creating market-based contracts.** The state secretary at the Ministry of Agriculture modestly characterized the creation of the land committees as an "ingeniously clever invention."²⁶ Even more surprising, this ingenious invention is still to this day not operational due to the creation of detailed rules

pertaining to it. **As a workaround, the county-level branches of the Hungarian Chamber of Agriculture (NAK) perform the role of the land committees**, and the NAK has even modified its charter for this purpose (that is, it authorized itself, as it were, to undertake this responsibility based on its legal authority). As they exercise the powers of the land committees, NAK's county-level presidencies take proposals by the Regional Agricultural Committees (TAB) into account. But the members of TAB were elected by NAK members, and under notably scandalous circumstances: some members of the NAK received notice of the location and time of the TAB election, while others did not.²⁷

This type of procedure is characteristic of NAK as a whole. Membership in NAK is obligatory, but in order to be able to take part in its 2013 internal electoral process, farmers, food-processing companies, traders, fishing and hunting associations, as well as others had to register and pay a registration fee by a certain deadline (30 November 2012). However, less than half of the 300,000 (mandatory) members registered by the deadline. There were only a few weeks to put the list of candidates together, and in the end it was a list composed only by Magosz (National Association of Hungarian Farmers' Societies), which has closely cooperated with Fidesz for a decade, thereby allowing for a dozen organizations to be excluded (Magosz's list was a kind of People's Front list: also putting members from other organizations onto its list).²⁸ Reports from both the national and county levels claimed that there was selective notification of those who were entitled to participate, and so **only a select narrow group was able to elect the different executive bodies**.²⁹

Market players were therefore obliged to be members in the NAK and pay a membership fee (as is the case with the Hungarian Chamber of Commerce and Industry), and the right to vote was tied to registration, which was further restricted beyond that through the selective rationing of information. **As a result, Magosz, in collaboration with Fidesz, has essentially taken over NAK**. The bodies of the resulting organization were then authorized to carry out public duties, theoretically on a temporary basis, in relation to the already highly controversial veto power of the land committees over the distribution of land on the market.

Unsurprisingly in NAK's case, EU funds also came into the picture. János Lázár's intent was that HUF 1 trillion of agricultural aid distributed between 2014 and 2020 should be routed through NAK, despite the fact that NAK, or its organization that deals with tenders, would first have to

be accredited in Brussels to perform this function. **In this way, NAK has acquired a dominating influence over both market developments and the awarding of grants, thus strengthening positions in the market, while the circumstances of its creation suggest clear political influence in a number of areas.**

2.6. Market Division, Property Dispossession, Property Allowances

The next type of situation that shows the formation of dependencies is when **citizens and businesses are deprived of their right to practice a business activity, or even of their ownership rights, and the state then redistributes these entitlements and their corresponding resources to others according to a system of political criteria.** Autonomous businesses find themselves from one moment to the next in a hierarchy constructed and supervised by the state—and if not, then they are left outside the system. **The gambling industry, tobacco retailing, and the nationalization and redistribution of the savings cooperatives** serve as examples of this mechanism.

In October 2012, the Orbán government determined in an extraordinary session that slot machines could henceforth only be operated in a few casinos. The National Assembly also passed a law on this matter two days later. The government included two separate reasons for its decision. The first was that slot machine operators posed a threat to national security, and the second was that its users became addicted to them, and mainly poorer people gambled their money away on these machines instead of spending it in more useful ways. The national security reasoning is unassailable in the sense that the government's specific concerns are confidential. But it is another issue entirely that such national security risks, if they do exist, certainly did not first arise in the fall of 2012.

In actuality, parliament did not ban slot machines by force of law, but **radically narrowed and monopolized the industry.** This circumstance also provided an opening on moralistic grounds, namely that the poor should spend their money in a more useful way. Beyond the fact that these moral expectations should also apply to wealthier persons, the selective rationing of moral threats was not exactly indicative of a consistent position. The government was more consistent with regard to the granting of concession rights. The only debate was whether priority should be given to the casino interests of Andy Vajna and others, which was hardly appropriate to the

legally imposed transparency requirements,³⁰ or whether the state should directly reap the benefits of the nationalized business, or a portion of them, through the state gambling company Szerencsejáték.³¹

In 2013, the state monopolized tobacco retailing, with the right to sell tobacco tied to obtaining a concession that had to be applied for. The official grounds for restricting the tobacco trade was harm reduction, which might even have been the case, in that restrictions on the opportunities of the tobacco trade could limit people's access to cigarettes, and in this way reduce their consumption. But on the other hand, the government did not calculate the extent to which restricting cigarette sales would boost the black market trade.

The guaranteed price margin for retailers was increased even while the application process for concessions was taking place. Those who did not apply because they thought the new construction of the tobacco trade to be a poor deal due to the originally low price margin, were shut out of this business opportunity, while those who submitted tenders obtained considerable and greater commercial gains at the expense of other retailers. It can be strongly presumed that **many of the initial applicants for the concession had insider information**, and thus knew that this business which did not look very appealing at the beginning would be a good deal in the end, and worth applying for. This comment applies to those who requested a tobacco concession as a brand-new owner, not those who applied for the tender as the owner of a preexisting enterprise (a small store or tobacconist stand).

In the wake of the situation produced by the tobacco tenders, **a significant chunk of sales went to the black market**, tobacco consumption did not decrease, the majority of tobacco stores did not become profitable, and the tobacco multinationals did not lose their leading roles in the market.³² Market conditions in small towns, however, were fundamentally restructured.

The suspicion of political giveaways became certain when an audio recording was made public of a meeting of the Szekszárd town council. This clearly established that the town's Fidesz leaders awarded their tobacco concessions on the basis of political considerations, and its mayor, who can be heard on the recording, also hinted that action had been taken based on direction from a central authority.³³

It was further revealed that the draft law on the concession structure was written by a firm whose directors were in direct contact with the prime minister's chief of staff, János Lázár. Not coincidentally, this same

company, Continental, was also one of the biggest winners in the new system of tobacco retailing. However, the central organization that judged the concession applicants, National Tobacco Trading Nonprofit Company, rejected the possibility of being able to collate the winning and losing applications. It required a court ruling to compel it to do so, though even then the company did not hand over the information electronically, but on paper to the political party “litigating” it, the Democratic Coalition. The party was not able to digest the 18,000-page document, and was only able to ensure that anyone could have access to the data.

Also in 2013, the government took over the savings cooperative sector, pushing aside a former ally and one of Hungary’s richest businessmen, Sándor Demjén, who is among other things the president of the National Alliance of Savings Cooperatives (OTSZ). Demjén may have believed for a long time that the government would cooperate with him to strengthen the savings cooperatives, which both he and the government thought should play a larger role in business lending.

Magyar Posta (Hungarian Post), the postal administration of Hungary, purchased part of Takarékbank (Savings Bank) in the summer of 2013. In addition to the share in this bank already owned by the state-run Hungarian Development Bank (MFB), the government ensured that the state had a majority stake in Takarékbank. At the same time, parliament passed a new law mandating the integration of the savings cooperatives. Members of the savings cooperatives were able to decide whether they wanted this new integration or not, but in the knowledge that their thrift would be shut out of the savings cooperative market if they voted otherwise. OTSZ was not able to advise the savings cooperative owners to do anything else but sign the new savings cooperative charter, meaning that they should vote for the compulsory integration, but declare that they did so under coercion.³⁴ The new regulations otherwise allowed the state to appoint directors to head the savings cooperatives, which would enable the state to put the financial assets of the savings cooperatives under its direct control.

Duna Takaréka (Danube Savings), led by István Garancsi, was exempted from the compulsory integration. The basis of the citation was that if a savings cooperative had filed an application to form a bank but had not yet received a ruling on the matter, it was not obliged to be a part of the mandatory integration process. There were two such savings cooperative networks in this position, and one of them just happened to belong to Garancsi. The billionaire entrepreneur Garancsi is touted as an Orbán confi-

dante, and apart from his business interests, has also acted since 2010 as a deputy responsible for tourism in the Prime Minister's Office.

At the end of 2013, the government went even further by authorizing the Integration Organization for Cooperative Credit Institutions (SZHISZ) to suspend for up to a year the voting rights of savings cooperative owners at the savings cooperatives they have a stake in. This can ensue if, in the opinion of SZHISZ, the owners' actions "threaten the reliable, secure operation of the cooperative credit institutional system." During the suspension period, "the other owners and leaders of the savings cooperative" make decisions on the fate of the savings cooperative, so the savings cooperative could even be liquidated and its deposits diverted to Takarékbank. SZHISZ can create specifications on the sale of a savings cooperative's assets, determine the maximum rate of interest a savings cooperative can set, as well as restrict or forbid transactions between a savings bank and its owners, or any debt a cooperative wishes to undertake. Not incidentally, this integration organization stands above the law in several respects: its leaders are given seven-year mandates, and its purchases are not covered by the law on public procurement.³⁵ Beyond this, SZHISZ acquired a 25% minus one vote stake in Magyar Posta.

In the last phase of this process, the state announced a privatization tender for its newly created majority share in Takarékbank. A single application was received, specifically from Magyar Takarékszövetkezet (Hungarian Savings), which is owned by fourteen savings cooperative executives and FHB Bank, headed and partly owned by Zoltán Spéder, who has interests in the media and banking sectors, as well as Tamás Vojnits, president of Takarékbank and a government commissioner appointed between 2012 and 2013 to perform certain governmental activities related to domestic and cooperative financial services. The terms of the tender were formulated in such a way so as to prevent a purchase bid submitted through OTSZ. Failing this, no other actor in the savings market would be able to meet the capital requirement specifications.³⁶ At the beginning of 2014, the government determined that the merging of Takarékbank and Magyar Takarékszövetkezet was an issue of national security, thereby precluding a possibility that the competition authority would investigate the deal. The purchase agreement was signed in March 2014. The purchase price for the shares that were sold exceeded HUF 9 billion, representing a significant realized gain for both MFB and Magyar Posta. The Hungarian government thereby complied with its obligations under the law, by "selling its temporarily acquired stake sig-

nifying a majority share in Takarékbank to a company majority owned by a cooperative credit institution.”³⁷ The next step is the collaboration and development of a joint strategy between Magyar Posta, the savings cooperatives, and the Hungarian Development Bank,³⁸ which could damage the future market positions of other credit institution owners, in addition to any downsizing that may accompany the merger at the new “Postabank.”³⁹

There was a transfer of ownership in all three cases, and though there were applications, purchase agreements, and financial transactions for each, **the government itself designated the group of beneficiaries** and created rules that made the possible course of the process move in a particular one-way direction. By depriving commercial and property rights, **ownership completely changed hands in these markets**, and in every case the winners were state-owned companies and businessmen who were closely intertwined with those companies and had demonstrable connections to the governing party. Following this, the new private enterprises also became priority partners of the state in the economic sector they have acquired.

The restriction of legal redress and the perpetuation of a state of exception are suggested in the **example of textbook distribution**. At the end of 2012, the law on systematizing the textbook market came into being, for which Library Supply Priority Public Nonprofit Ltd. (KELLO) would carry out textbook ordering, purchasing, and delivery to schools, as well as collecting the money for these textbooks from schools. Library Supply had been involved in the textbook trade in the past as well, and was distinct from its competitors in that it was state-owned, and that it proved to be one of the least-successful companies in this market.⁴⁰ In addition, its leaders had close ties with ranking persons in Fidesz, such as Tamás Meggyes, the former mayor of Esztergom.⁴¹

The multitude of competitors forced out of the market filed a constitutional appeal with the Constitutional Court, as the state had used the most severe means possible in regards to changing market conditions: it did not agree with the affected companies, compensation was not provided for them, their property rights and freedom of enterprise, among other things, were restricted, such restrictions were not made in the public interest, nor was the requirement to determine proportional need fulfilled.

In 2014, the Court accepted this constitutional appeal, but at the same time also terminated the proceedings because of the new legislation that had come into force on 1 January 2014. The basis for this in a legal sense

also ended supplying textbooks on the basis of market principles, and instead “textbook development and supply that is based on the organization of the state as a public sector duty, and on the complete responsibility of the state is being implemented,” which occurred in the wake of a law passed in December 2013 after an urgent meeting.⁴²

Similar developments are also expected for textbook publishing.

The government is introducing a scheme of permitting two textbooks at most per subject, and since it has purchased Apáczai Publishers and Nemzedékek Tudása (Knowledge of Generations) Textbook Publishers, there is little doubt that it will monopolize the market partly through the pricing of state-published textbooks, and partly by using the administrative tools of textbook accrediting.⁴³ It has created the complete legal framework to do so. If this does not work, then it can evade any legal appeals through amending legislation.

2.7. The Octopus Viewed from Below: The Vulnerability of Entrepreneurs, Employees, and Public Workers

Intervening in market and property relations, nationalizing, and compelling workers to become members of public entities also additionally affect the circumstances of workers, which is also indicated by the post-2010 reworking of the Labor Code, while also of course fundamentally redrawing the competitive position and legal environment for business.

Along with mandatory enrolment in the Chamber, business owners face a tendering system and lending practices under the political control of public agencies, as well as operational maneuvers by the state to redistribute the market.

The Labor Code constricts opportunities at the outset for workers to advocate their interests, such as limitations on the right to strike, but in the case of teachers, compulsory membership in a public body and the NPK’s ambitions toward interest advocacy can also easily drive trade unions off the shoreline. Added to this is the enforcement of provisions in the ethical code that provide for sanctions. Civil servants experience political control that is even closer and more direct.

Government maneuvering influences the situation of workers in other ways as well. For example, jobs are put at risk, well beyond the usual extent for a market economy under “normal circumstances.” **If the state wants to acquire a segment of the market, or transfer it to another market**

player, then jobs can disappear from one moment to the next even at prosperous companies, and the ground can slip out from underneath these businesses. For companies that are confiscated, any of its employees increasingly run the risk that **the new owner, either delegated or sanctioned by the political regime, may wish to exercise politically driven control over the employees.**

This occurs in a labor market where options are limited, and where the length of unemployment benefits has been drastically reduced. Because of this, and because of the continual expansion of the mafia state, it will also not be possible to simply “get away” or “step aside” from attempts by the state to exert its influence. Political and economic developments that take place in the stratosphere can thus have a very direct impact on everyday individual decisions. **Within moments, a politically dependent and vulnerable situation can develop when the state forces itself in somewhere.**

The relationship between employees and employers has also been overturned by the new, previously mentioned Labor Code. This essay is not the place to provide a complete overview of this code, but the trend of the change seems to be quite evident. **The new Labor Code adversely affects the working conditions and bargaining power of employees.** The declining nominal wage and allowance provided for shift work, increased net working hours, less favorable severance pay than previously, and other regulations clearly show that the new Labor Code has improved the position of company management and worsened that of the workers.⁴⁴

It is worth noting, however, that legal appeals are still possible in this area. One such case was in 2014, when the Curia (Supreme Court) disagreed with a previous court’s ruling and ruled in favor of the employee that the obligation to cooperate beyond working hours burdens the parties in a work relationship, and that the employer must respect the privacy rights of the employee. The essence of the matter was that an employer placed a tracking system on the vehicle of an employee who was employed as a regional representative, but did not inform the employee of it, and thus violated the employee’s rights. Even though the rules in the earlier Labor Code that were clearly more favorable to the employee were applicable in this case, this judgment may also provide guidance in interpreting the current regulation, since similar obligations will continue to vex employers. The ruling also meant that **this interpretation by the Supreme Court of Justice could to some extent counteract the weakened state of legal protection for workers.**⁴⁵

Another example of the existence of protection against one-sided dependency is a Constitutional Court resolution from May 2014, which, from a request by the Ombudsman, stated that

the intent to bear a child, a human fertility treatment procedure (a program of in vitro fertilization) undertaken to this end, and a pregnancy that results from this or by natural means until outward signs are apparent, and conditions that pertain to the private or intimate sphere of the woman expecting the child, and any such, are excluded from all forms of state intervention. Statutory regulations mandating that all such information be disclosed to the employer constitute an intervention in the private sphere.⁴⁶

According to the court, “the state cannot intervene through legislation in the private sphere of a worker expecting a child without justification on constitutional grounds,” and the obligation to provide information that pertains to the private sphere “unduly restricts the expectant worker’s right to privacy and human dignity,” and is therefore inconsistent with the Fundamental Law.⁴⁷

This case arose in connection with the fact that although being pregnant protects the employee from being terminated, there are times when even the employee herself is not aware of the pregnancy, and so cannot invoke it as a reason either. Furthermore, a debate on the interpretation of the law unfolded regarding whether the employee had a duty to inform her employer if she was expecting a child or undergoing fertility treatments, as well as when this should be done. The grounds for the Court’s resolution also mentions that if the employee is informed of a pregnancy following termination, then she can lawfully request a finding of unlawful termination based on rules that pertain to prohibiting termination.

The situation of community workers can definitely be described as total vulnerability: they reside at the bottom of the dependency chain. This is determined right at the start by the fact that they do not receive market-based wages for this kind of work, but special wages for community work. In addition, this employment is not voluntary; if a person is no longer eligible for other benefits, which easily happens after a reduction in unemployment benefits to ninety days, then the citizen can be assigned to perform community work by the municipality where they reside as part of a labor test to obtain social assistance. This model institution for a “work-

based society” promoted by Viktor Orbán in fact means rotating between social assistance and community work, or between the low amount provided as benefits and the higher amount, though still considerably lower than market wages, that community work provides. Previously published studies have shown that local municipalities can be very discretionary with the practice of providing social assistance.⁴⁸ **But there is more at stake in this new system**—those who do not satisfy the labor test risk losing various types of benefits, and the degree of state control is also larger, as the law connects benefit entitlement with the inspection of private spaces, from the courtyard all the way to one’s lingerie wardrobe.⁴⁹

And if that were not enough, there were a number of cases made public during the 2014 election campaign where **community workers were ordered to set up political events,**⁵⁰ **and even had to appear at political demonstrations,**⁵¹ **which in every case was to support the party in power.** Academic research on the largest database of community work thus far has established that the community work system created after 2010 does not lead workers to the labor market, but on the contrary, creates feudal-type dependency relationships in small towns, while the existence of low-wage community work on the market can even cause local businesses to go bankrupt.⁵²

3. Conclusion

Through numerous examples, I have attempted to demonstrate not only how the system of the mafia state extends its influence, but also how closely linked its political, economic, and ideological aspirations for power are.

Its confounding variety of forms conceal very similar objectives: **the governing party plays a game of exclusivity in every area.** The operationalization of this ongoing and for the moment virtually unstoppable expansion is made possible by its two-thirds majority in parliament. It is not an exaggeration to state that the government will keep rewriting legislation, whether it be the Fundamental Law or regulations on legal redress, until its position is finally transposed into practice and the changes it has initiated become irreversible. The main consequence of this spread, beyond the political and economic power that is built onto and within itself, **is the extreme uncertainty and unpredictability on the side of citizens and businesses.**

The state, taken over by political and economic interest groups, can overrun an area at any time on either efficiency-based or ideological

grounds, where it can then assume and link together the authority to dictate the selection of leaders, the distribution of money, and the implementation of policies. From one side, this encourages every actor that is not yet affected to align its activities likewise to avoid being attacked by the state—but it cannot actually avoid it, as it does not depend on them, but on the will of the government. From another side, openly political dependent relationships take effect from one moment to the next in the areas acquired.

There are no individual ways out—there are at most delays until the state reaches a particular industry. The system only recognizes exceptions that serve its own benefits. The goals of the interest group that has taken over the state are to break up economic and societal autonomy in order to get closer to the private sector and **integrate an increasingly larger segment of society into the hierarchical system of dependent relationships.**

Its differing patterns make it hard to discern how much these changes fall along the same lines, but without an understanding of the common features of these patterns, it would not be possible for a recognition of the need for a coordinated resistance against the mafia state to form.

NOTES

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Balázs Krémer

The Social Policy of the Mafia State and Its Impact on Social Structure

Introduction

In the first part of this chapter I would like to demonstrate the changes in the social structure in Hungary during the Fidesz government. I will do this by analyzing changes in income inequality, relying mainly on the (secondary) analysis of publicly available data.

In the second part I will point to certain changes which show a strong statistical correlation with the changes in income structure, and which can therefore be interpreted as “factors,” components of the changes in the income structure.

In the third part I will continue to analyze statistical data and point to changes—essentially social and economic damage—that are related to these developments and that go beyond the transformation of the income structure.

I will conclude by going beyond the analysis of statistical data, venturing into less secure territory, to sketch the political background of these phenomena. For that, I will have to touch upon certain legal and institutional changes and define certain concepts and their use, to finally conclude by articulating my interpretations with regards to social policy.

To sum up the main point of my analysis: what I am trying to prove is that although the economic crisis resulted in the polarization of inequality almost everywhere, the dramatic growth of the income gap in Hungary happened differently there than in other countries. I will merely touch upon the fact that while other EU member states mostly strived to reduce the negative effects of the economic crisis—increasing poverty and

inequality—as much as they possibly could, the interventions of the mafia state significantly contributed to increasing inequality, an outcome, I will argue, that was even more significant than the crisis itself. All this has done great damage to the (already quite vulnerable) social and economic resources and opportunities of the country, and it has been “functional” in building the power structure of the mafia state, in the unscrupulous growth of the “godfather” and the “adopted family,” and the imposition of state power on the population.

The Growing Gap in Income Inequality in Hungarian Society

Before embarking on the analysis of income distribution in Hungary, let me share some background knowledge with readers who are not well-versed in this topic, knowledge that experts in this field take for granted.

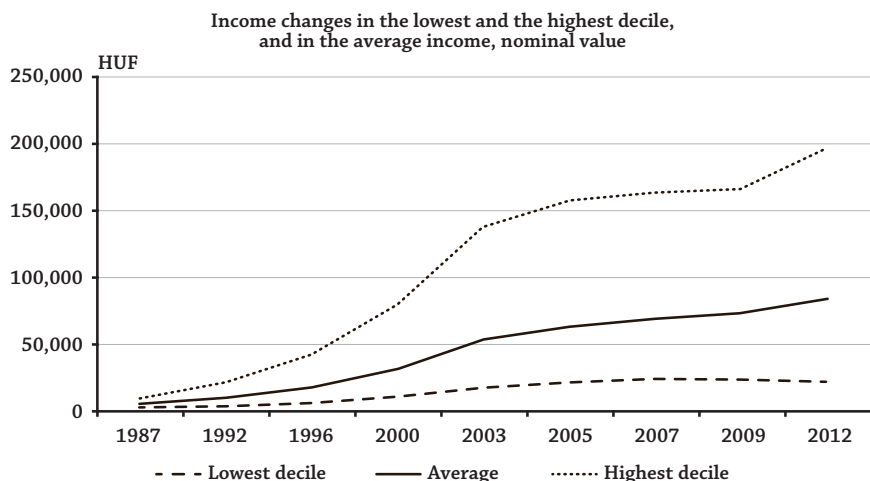
Our data about income and income inequality mostly come from two basic sources: the records of TÁRKI’s Household Monitor Survey, a biannual dataset, and the household expenditure records of the Hungarian Central Statistical Office (KSH). Since KSH has not gone out of its way lately to make its data publicly available, we have increasingly had to rely on Eurostat data based on these former data. Questionnaire data are not very reliable, partly because of the high proportion of people who do not disclose their real income, and especially because the margin of error is higher than average at the two extremes, among the very rich and the very poor. It is impossible to present representative data for these two extremes (homeless people or tenants who do not pay rent are not possible to find on the basis of their registered address; and the very rich, including oligarchs on the highest level of the mafia, cannot be interviewed as the security guards do not let the pollster enter their gated communities). Also, whatever data we have concerning these groups are more distorted than the average as uneducated, poor people who live from day to day have no structured image of their income—for them, “money just comes and goes”—whereas the rich are more strongly inclined than the average to conceal their income, especially income that they derive from their property.

As income data are of dubious authenticity, it is not the “absolute sums” we use for analysis but rather the distribution and the time series. If we suppose (even though we are far from convinced) that nondisclosure of income is more or less proportionate to actual income in each income

category, then the distribution of the declared income is identical, “parallel” with the distribution of the actual income. Regarding the time series, despite the distortions and statistical errors, if data are collected in exactly the same way every year, then we can suppose that the errors are also the same every year, i.e., we can gain an authentic picture of the direction and scale of the changes.

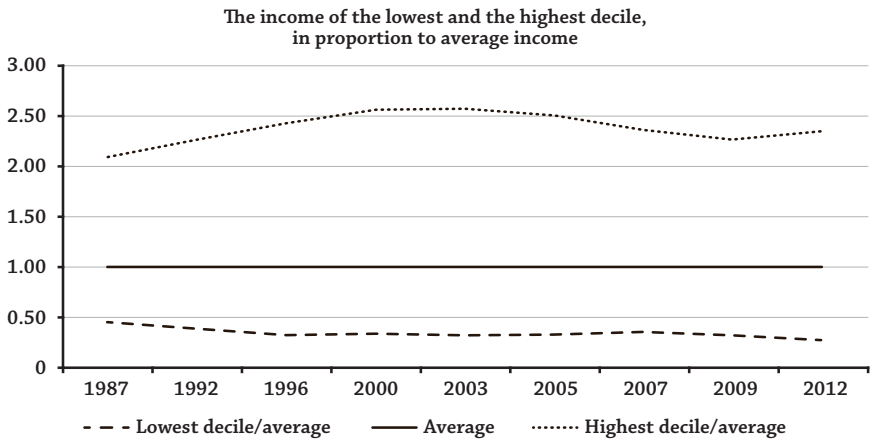
Neither will we analyze in detail those methods of statistical analysis and calculation which try to present the income inequality of the whole population—ten million people—in one, or a few, figure(s). Each of these methods takes the income of a household, people who live together and share their income, as its basis, and “calculates” income by using various methods (calculating per capita or per “unit of consumption” with various weightings) and attributing the same income to every member of the household. Most of these methods rank the population according to this calculated income, from the poorest to the richest, and divide this imaginary list into a number of levels, e.g., check the income of every millionth citizen; the average income of each decile; the income of the citizen in the middle (this is the “median” which is always lower than the “average income”), and classify those whose income is 50 or 60% lower than the median as poor, etc.

We will only allude to these methods, without analyzing in what ways we would get a different picture if we applied a different method or different dataset.



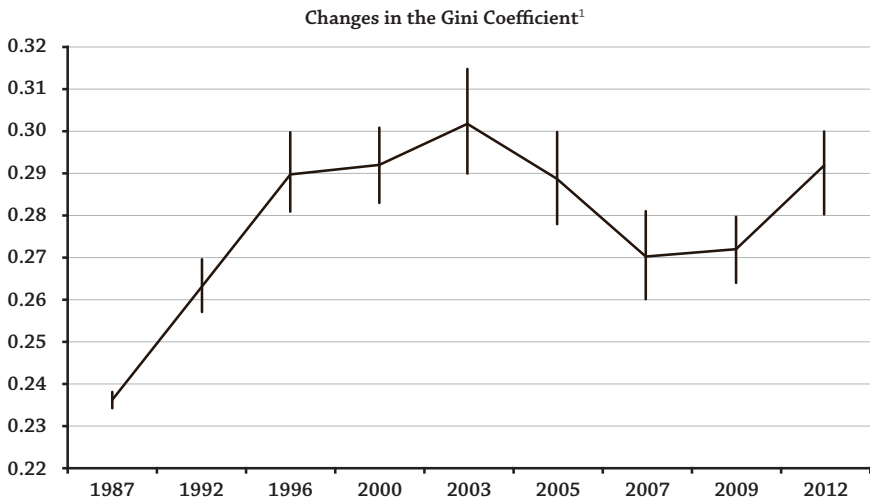
Source: TÁRKI, 2012.

General opinion has it that the twenty-five years that have passed since the change of regime are definitely characterized by a growing income gap, i.e., increasing inequality. This is essentially the image that we get if we draw a chart of nominal income on the current value of the Hungarian forint (HUF).



Source: TÁRKI, 2012.

This chart indicates the dubious validity of general opinion, since it shows that income inequality did not start to increase after, and due to, the



Source: TÁRKI, Social Report (2012)

change of regime but was a process that started at the end of the 1970s. This assumes that the growth of inequality was a continuous process (which is not true, since the development of inequality was characterized by a particular dynamic).

The deepening crisis of the final stage of communism before its expiry, the loss of a market due to the collapse of the Eastern Bloc, and the crisis of the transition after the change of regime resulted in a peculiar continuity in the increase of inequality. This is far from surprising: periods of crisis are usually typified by a growing distance between social groups and a growing income gap. However, it is an interesting—and in many of its aspects underresearched—phenomenon that the “crisis,” indicated by the increase in social inequality, did not end with the stabilization of the political system; the turning point came only a few years after the beginning of the new millennium.

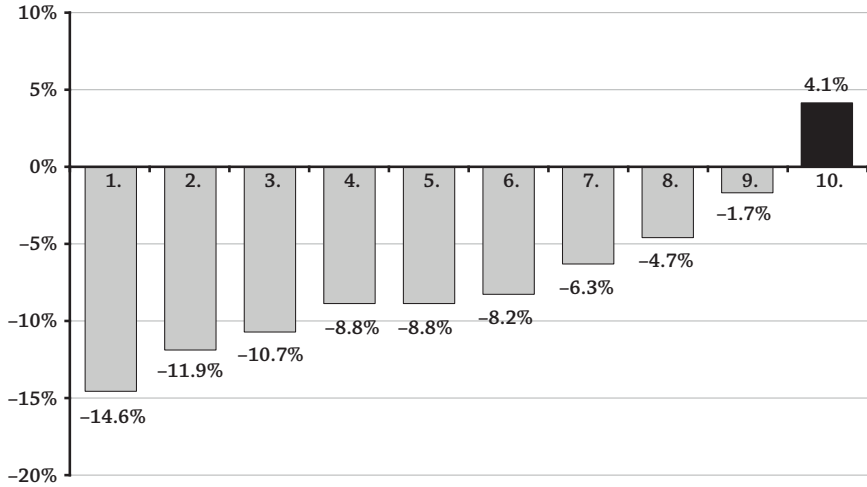
This peculiar turning point is usually linked with then socialist prime minister, Péter Medgyessy, and his program of “welfare regime change.” Later critics of this program mostly disapprove of Medgyessy’s decision to significantly raise the income of public servants, as well as social transfer payments—first and foremost, pensions—to an extent that surpassed the potential of the economy and the budget, and increased the state debt and the budget deficit. It is, however, usually not stressed that these measures actually resulted in an increase of the population’s income, and as it is clearly shown in the charts above, in a decrease of income inequality. We cannot say, however, that these government measures were successful in tempering the social problems of the transition at the cost of increasing the deficit, as it was precisely the budget deficit and the state debt that made Hungary especially vulnerable to the reverberations of the financial and economic crisis. In other words, the program of welfare consolidation was unfounded and untenable—with the result that (as is clearly visible in the chart) when the crisis erupted, the trend in inequality was almost immediately reversed: the decrease immediately turned to a fairly sharp increase.

Many people believe that this economic vulnerability—added to the effects of the crisis that erupted while the country was economically vulnerable—was the main cause of the further increase in income inequality after Fidesz came to power.

There are some counterarguments against the theory that there has been a continuous crisis, namely the fact that the decrease in real income stopped after 2009, and while the increase in nominal household income,

The real income of different social groups

(From the poorest to the richest, 2009–2013, based on HUF, according to deciles)

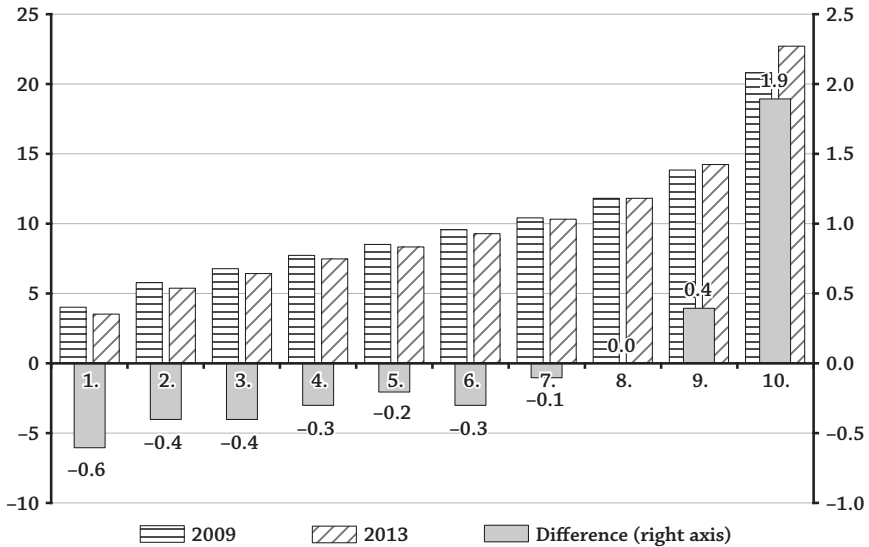


Source: Eurostat 2013, quoted in Privátbankár,

<http://privatbankar.hu/karrier/rosszabbul-elunk-mint-negy-eve-megjottek-a-szamok-267525>.

Changes in income distribution

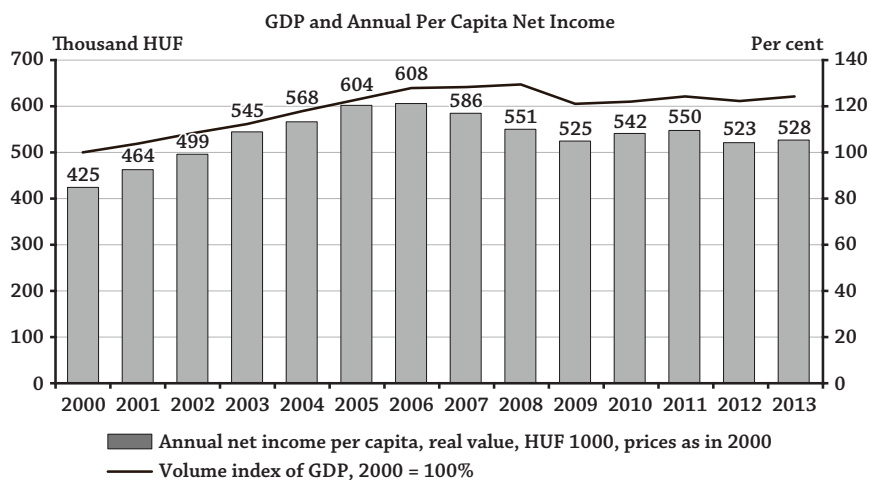
(From the poorest to the richest, based on HUF, according to deciles)



Source: Eurostat 2013, quoted in Privátbankár,

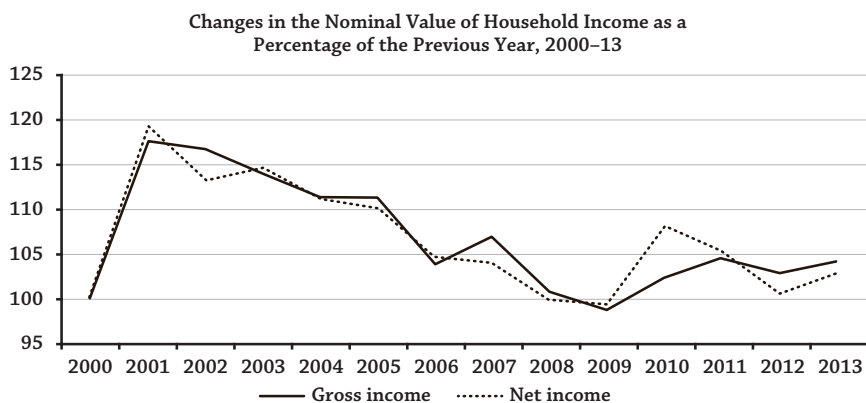
<http://privatbankar.hu/karrier/rosszabbul-elunk-mint-negy-eve-megjottek-a-szamok-267525>.

which was already slowing down, became negative by 2009 (i.e., the nominal income decreased), it increased every year after 2009, even if to various degrees:



^{a)} prices as in 2000

Source: A háztartások életszínvonala [The household standard of living] (Budapest: Central Statistical Office, 2014), 5, Chart 1.1.



Source: Author's calculation based on data provided by the Hungarian Central Statistical Office in STADAT 2014.

This means that the period after 2009 significantly differed in terms of the increase of inequality from the growth in income gap at the time the crisis erupted: from that year, the general, average income situation stagnated or slightly increased, while income inequality grew dramatically.

There was a dramatic rupture in two senses. One of these, the marginalization of the poor, was documented by sociologist Zsuzsa Ferge as early as at the time the crisis erupted; this was a process that had started long before.² This marginalization continued even after 2009 as it was the poorest decile that suffered the greatest loss in income up to 2013, close to 15% in real value.

There is, however, a new rupture as well: the increase in average income after 2009 is due exclusively to the income increase of the highest decile, with the great majority of Hungarian households—from the first to the ninth decile—having experienced a decrease in real income. This new rupture, so far unheard-of, means a rupture at a breaking point around the highest 10–15%; below that point, the population is living on a gradually and more and more significantly decreasing income, while the income of the 10–15% above the breaking point has gradually increased, to a greater degree than the decrease of the lower 85–90% (this must be so as the average income increased).

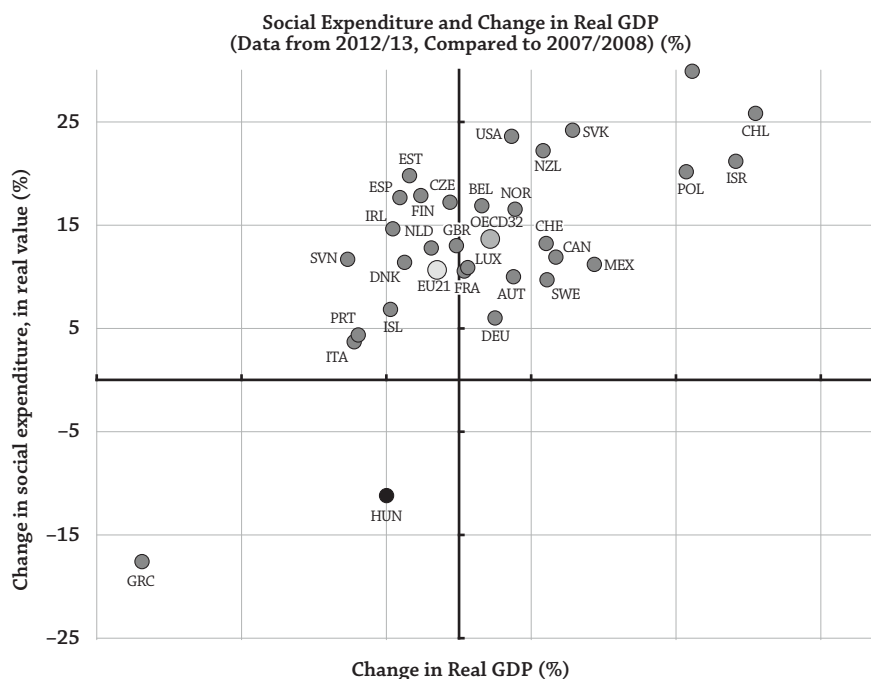
My argument is that these ruptures in income conditions are caused by the government's measures rather than the economic crisis.

Government Measures That Caused a Rupture in Income Structure

That the marginalization of the poor is mainly caused by government measures, a contention we will substantiate later on, is supported by statistical data.

Most developed countries tried to put some of the burden of the crisis on more affluent social groups and protect the poor—who were in a hard situation to begin with—from sinking into destitution. The result of this is that OECD countries increased their welfare expenditure in spite of the fact that their income had decreased because of the crisis. There are only two exceptions: Greece, a country that came close to utter collapse and bankruptcy, and Hungary.

The greatest decrease within welfare expenditure was in the financing of welfare public services (i.e., primary, secondary, and higher education, health care, etc.), but social transfers were also reduced: whereas in 2009



Source: OECD SOCX (Social Expenditure Data Base), 2013.

social income amounted to 32% of the population's income, this ratio fell to 30% by 2013.

The new rupture in inequality in the higher deciles is even more obviously due to the effects of the government's measures. To support our claim, we will greatly rely on the analysis of Csaba G. Tóth and Péter Virovác, researchers working at two institutions which can hardly be accused of hostility toward the government, the Századvég Economic Research Institute and the State Audit Office of Hungary. Their analysis was published in the journal and on the website of the State Audit Office.³

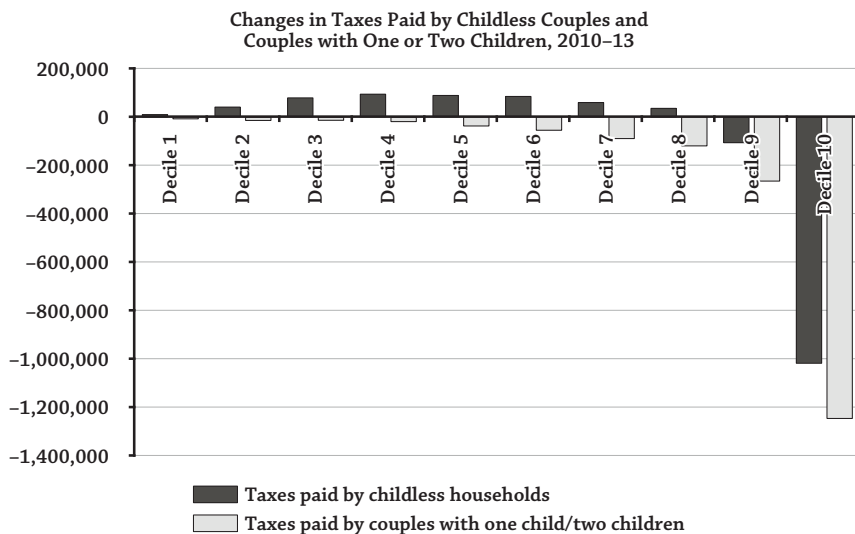
The authors survey the effects of government measures in the period between 2010 and 2013 on the income of the various income groups, by income deciles. The following table shows the average effects of the individual measures on taxes and reductions, in percentages (positive numbers mean a tax increase, negative numbers tax decrease, compared to the earlier tax burden).

**Changes of income-related revenues
(by income deciles and by types of revenue-shifts)**

	1 st Decile	2 nd Decile	3 rd Decile	4 th Decile	5 th Decile	6 th Decile	7 th Decile	8 th Decile	9 th Decile	10 th Decile
Family tax benefit (%)	-3	-7	-12	-19	-22	-22	-20	-17	-11	-7
Flat rate tax (%)	-17	-15	-16	-22	-17	-14	12	-10	-8	-34
Elimination of "super grossing" arrangement (%)	-19	-28	-36	-55	-56	-46	-38	-33	-35	-24
Abolishment of tax credit (%)	253	369	433	255	170	123	78	53	12	0

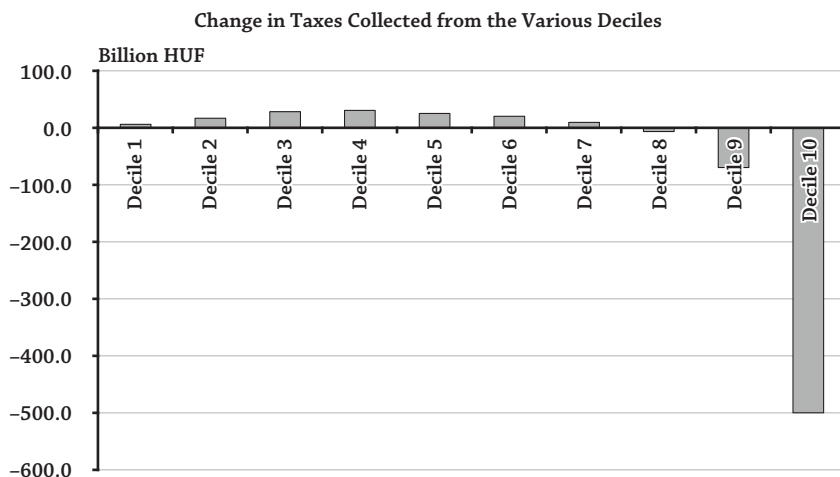
These changes, indicated by numbers in the table above, are more conspicuous if shown in a graph.

The following graph illustrates the effects of the tax system, including the family tax benefit, on the income of the various deciles:



One can conclude from these data that the sum and ratio of benefits given to families with children is almost symbolic compared to the tax savings and income growth of the highest deciles, whether they do or do not have children.

To sum it up, the tax deduction of the various income deciles (i.e., the decrease or increase in income) changed as shown in the following chart:



The data in this chart show chillingly similar trends and numbers as those we began our analysis with. The changes in income and the growth of income inequality are basically due to the government's fiscal policy.

The Synergetic Effects of the Crisis and of Government Measures

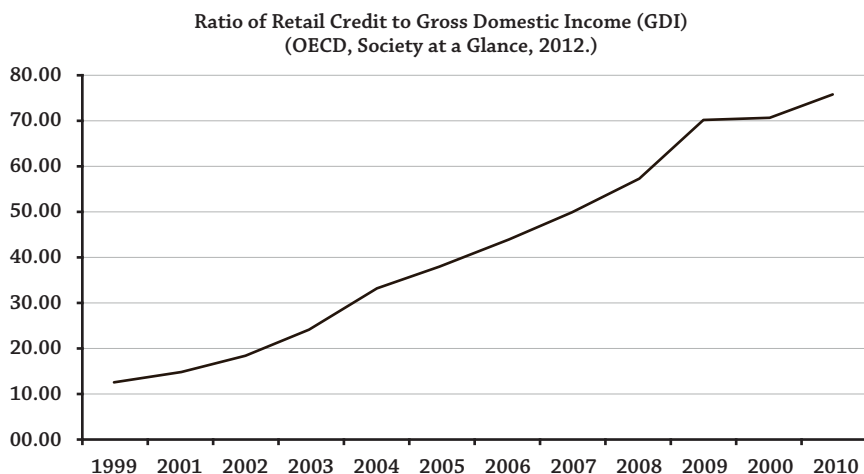
"Almost Incomes": Changes in Retail Credit

Analyses of income conditions in Hungary usually do not take into consideration the peculiar effect of credits, i.e., the fact that on borrowing, credit increases usable income, but then it has to be repaid, so the loan payment must be deducted from the income to calculate usable income. There is a lot of discussion nowadays about retail credit in analyses of the eruption of the crisis and its effects. Colin Crouch went so far as to talk about "priva-

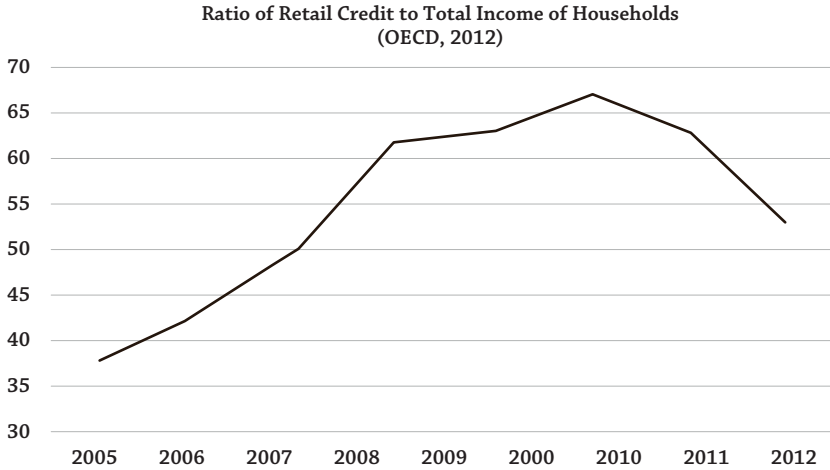
tized Keynesianism” to characterize the phenomenon that in the beginning of the 2000s, the functions of welfare redistribution to medium-income people were by and large served by retail credits that people did not necessarily think would have to be repaid.⁴ Monica Prasad goes even further, saying that reliance on credit and reliance on the welfare state are interchangeable, and she analyzes this peculiar public policy tradeoff.⁵ Studies by Ákos Róna-Tas on credit in post-communist countries stress that the growth of credit resulted in significant changes in the financial markets and the societies of Eastern and Central Europe.⁶

While I agree that the topic of the effects of retail credit has gone well beyond itself and has become very important in the interpretation of social systems and social policies, I will confine myself to a simplified discussion of the problem in what follows, namely that on borrowing, credit increases income, whereas on repayment of the loan and the interest, it reduces income.

In this simplified scheme, the period immediately preceding the crisis was definitely one of expansion of credit and increasing possibilities to spend money beyond earned income, whereas the last few years have been typified by a decline in credit, and the increasing burden of repayment, aggravated by a decline in income.

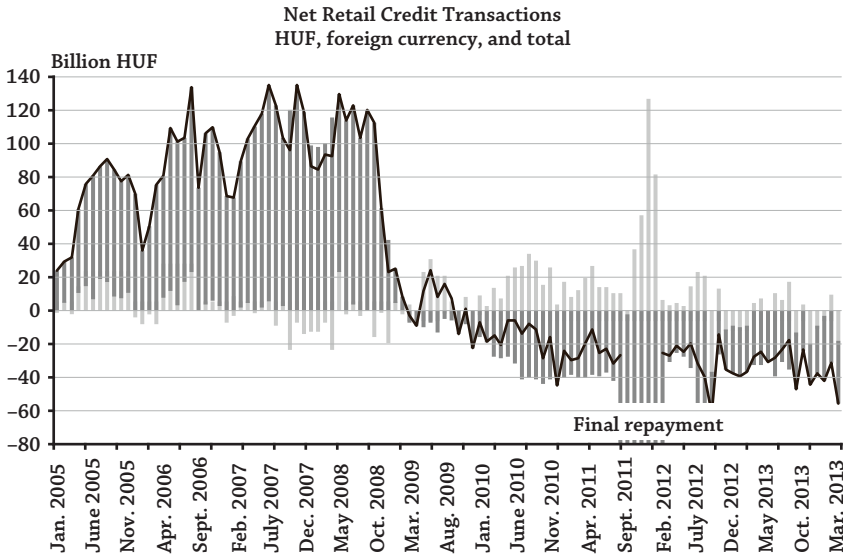


Source: OECD, *Society at a Glance* (Paris: OECD Publishing, 2012)

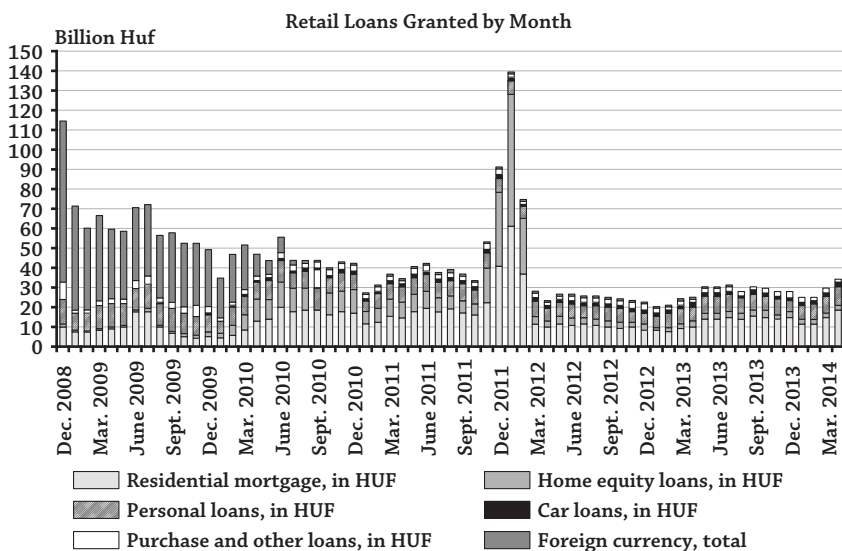


Source: OECD, *Society at a Glance* (Paris: OECD Publishing, 2012).

If we examine in detail why the ratio of retail credit to income has decreased, even though the level of credit remained high, we will see that the decline is due, first and foremost, to the decline in new credit loans that had been continually growing in the period before.



Source: Hungarian National Bank, portfolio.hu.



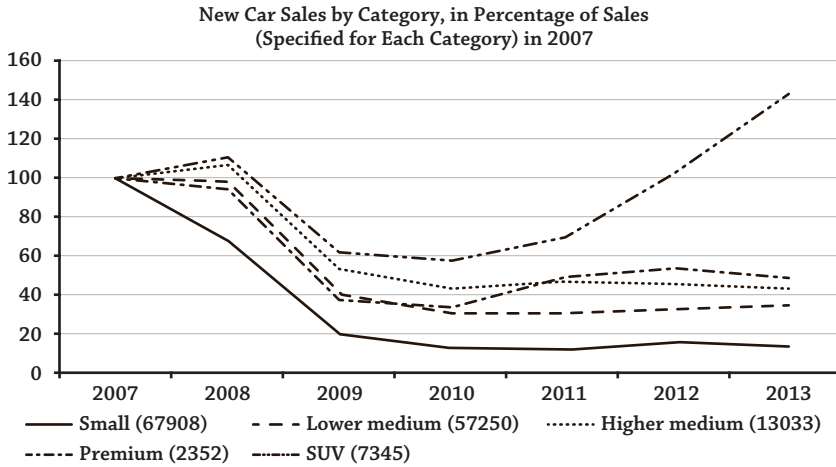
Source: Hungarian National Bank, portfolio.hu.

As opposed to general opinion, the decline in loans was not exclusively, and not even mainly, due to the decline in mortgages, but rather to the cessation of other types of credit (car purchases and personal loans). (The sudden increase in mortgages in 2012 is due the government measure of “final repayment” which obliged banks to allow people to repay their foreign currency debts at an artificial rate, which was significantly lower than the current exchange rate. The exchange rate gain that the program compelled the banks to apply seemed favorable for many, even if they had to repay their foreign currency credit debt with new forint credit.)

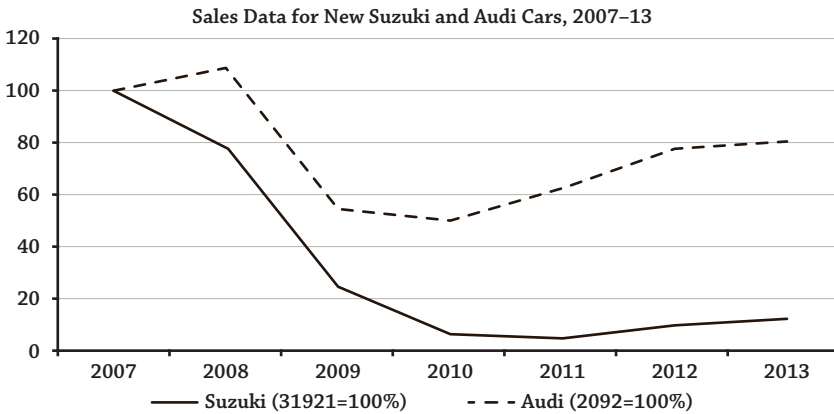
We do not have precise data about the distribution of the changes in credit on the macro scale. However, available data about car sales give a clear picture of the distribution of credit as cars are traditionally purchased with loans.⁷

There is no need to overexplain these diagrams: the smaller the cars are, the greater the decline after 2007. SUVs are an exception; one and a half times as many new and expensive SUVs were sold in 2013 than in 2007, with sales declining in every other category.

Let me give an impression of the distribution of the decline of new credit: the decline in buying new cars is mainly due to the reduction in number of those who had previously bought smaller cars—which also indicates that they are the ones who took out fewer car loans, and who are bur-



Source: DunaHouse Ltd., 2013.



Source: DunaHouse Ltd., 2013.

dened with the repayment of previously taken loans. If we were to go deeper into analyzing the social inequalities that are conspicuous in new car sales, we could point to another factor that increases inequality: the purchase of company cars, a supplementary income for high-income people, has become more vigorous lately after a decline in the previous period—including the sales of high-end cars (like Audis), purchased by companies for the personal use of top executives—whereas the sales of economy cars, typically purchased from household income (like Suzukis, manufactured in Hungary and advertised with the slogan “our car”), that had suffered a much greater setback, have not yet recovered after the low point in the crisis.

Nowadays the problem of credit usually surfaces as a problem of foreign currency credit, and there have been many populist declarations by public figures who pretend that the source of these problems was that banks had offered foreign currency credit, a “defective product,” to their customers. Our analysis shows this issue in a different light. The main problem with loans is that people do not have enough money to repay the loans and the interest, and that they are unable to make up for the loss of income with new loans. And this will most probably remain like that: we will not return to the world before the crisis when people could buy cars on loan without having repaid the loan for the old one.

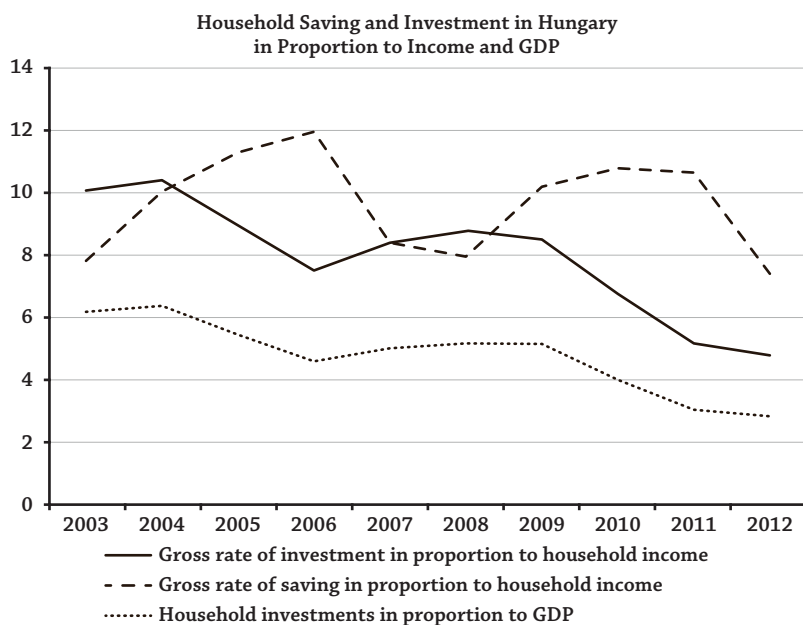
As for the decline in retail credit, it would be an exaggeration to say that the dwindling of loans and the severity of the requirements for taking out loans are exclusively due to government measures. Retail credit has changed in essentially similar ways in other countries as well, due to the economic crisis. However, we can sum up the aforesaid in two points. It is fair to say that the change of credit loans in time, the balance of which is basically zero (as the balance of loans taken out, and loans repaid is more or less zero), has intensified the effects on income conditions that we have indicated earlier. In the first years of the new millennium, the growth of household income was reinforced by the fact that it was easy to obtain loans which seemed cheap at the time, while after the crisis the pain of decreasing prosperity was aggravated by the fact that people had to pay back their increasing debt from decreasing income, without being able to make up for the loss with new loans. Besides, the changes in car sales are an indirect source that give us good reason to conclude that the effects on the various deciles of our previous, general point have augmented the income gap: the quasi-welfare functions of loans continued to work for higher-income people who purchase high-end cars, whereas their loss resulted in significant decline in the lower and the middle classes who tend to purchase economy cars.

The Erosion of Financial Security: Changes in Saving

Sociologists usually do not consider the issue of savings a fascinating topic. For economists, however, it is an interesting issue as saving is the basis of investment, and investment is essential for future growth. In societies where the economic and financial structure is considered to be healthy, the population basically has a saving and investing attitude (in developed

countries people invest approximately one-fifth of household income; in Hungary, the figure was less than half of that even in better times); and it is mostly companies and enterprises that take out loans to finance investment. The Hungarian economy was never healthy in this respect; the sum of retail credit loans was never significantly lower than the sum of savings and investments. Lately, however, the situation of savings has become perhaps the most severe symptom of Hungarian economy as companies have become the greatest savers, which means that rather than using others' money to finance their investments, they keep even their own money in bank deposits, instead of spending it on development and investment. In the course of 2013, there was an increase in retail saving though to a lesser degree than in company saving. (According to a report published on the website of the Hungarian National Bank, in March 2014 the net value of the financial assets of the population was HUF 21,332.4 billion; at the end of 2013 the gross value of financial instruments was HUF 29,947.0 billion, and its net value was HUF 20,901.7 billion.)

Flow data show a strong decline in tendency in the previous years, even though the level of saving had been very low to begin with, compared to similar data in developed countries. Fluctuation is mainly due to people transferring savings from current accounts to investments (or back), and

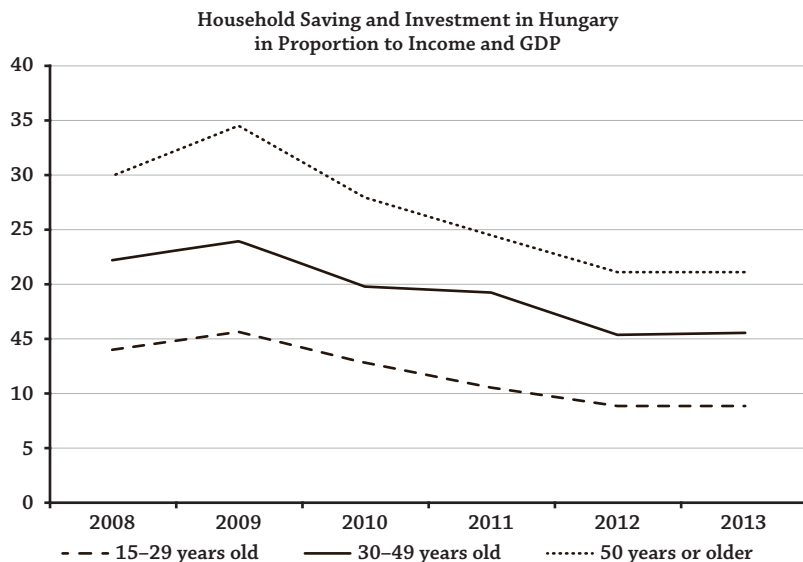


Source: Eurostat, 2013.

using their savings for credit settlement (if they have savings, and if they are able to use them for credit settlement with such favorable conditions as in 2011, when the government's agreement with the Hungarian Bank Association made it possible to repay loan debt at favorable exchange rates).

Our chart also shows that, compared to international data, Hungarian people keep their savings in bank deposits, in "cash," rather than in investments, so the strong decline in saving is due not so much to the devaluation of securities and other investments because of the crisis, but rather to the fact that people spend their income on current expenditure and can therefore save less than before. What is more, they continually spend their savings to supplement their income.

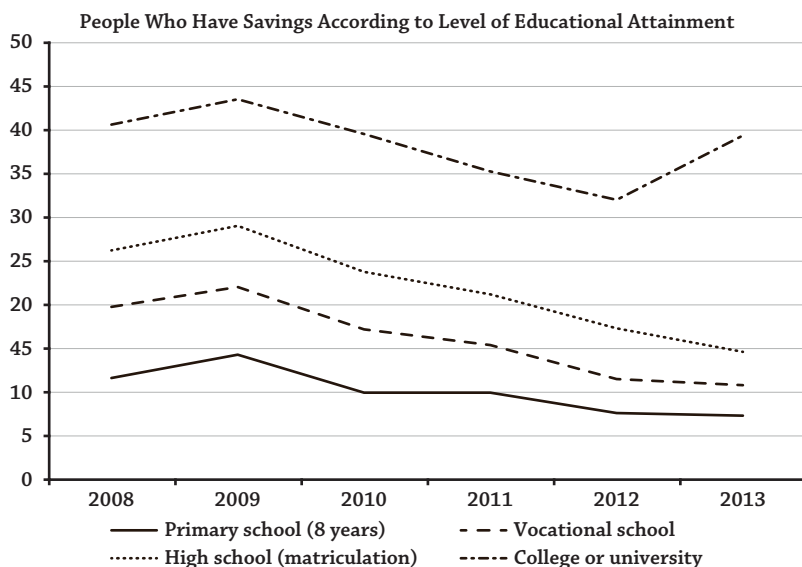
The reports of the Hungarian National Bank, and those of Eurostat, relying on the transmission of data by the former, do not disclose data about the distribution of savers and savings. Such data can be obtained from the research results of GfK Ltd.⁸ Data about savers by social category are as expected, but what is really surprising is that between 2008 and 2013 in active age groups (age sixteen to sixty-four) the ratio of those who have savings has not only decreased from 25 to 16% on average, i.e., 60% of the former figure, but it has decreased in every single social group.



Source: GfK Retail Banking Monitor, 2013.

The fact that young people save less than the elderly is unusual in global terms (as young people are supposed to save for an apartment and for living an independent life); however, in light of Hungarian traditions, this is not surprising.

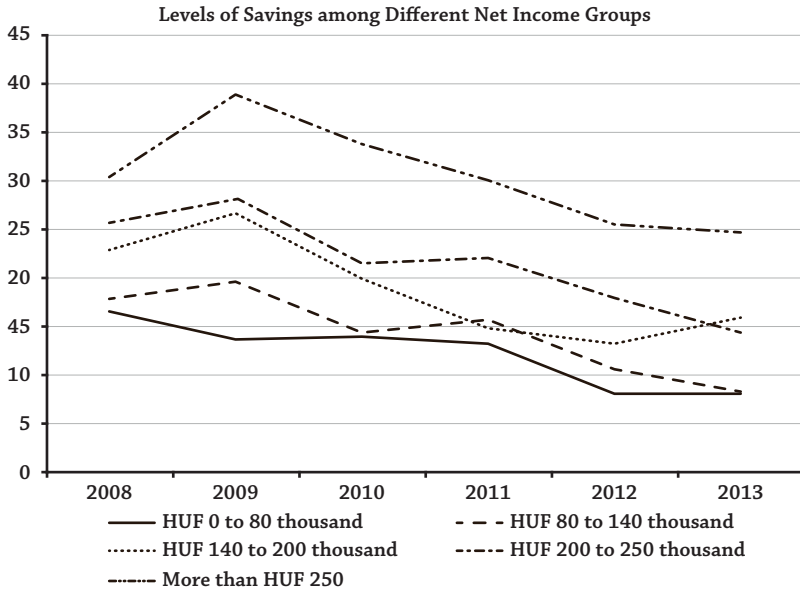
Just as it is not surprising that educated people, in whom rational thinking and planning for the future is more deeply ingrained than in uneducated people, have more savings than the latter. Only the savings of university graduates increased after the crisis.



Source: GfK Retail Banking Monitor, 2013.

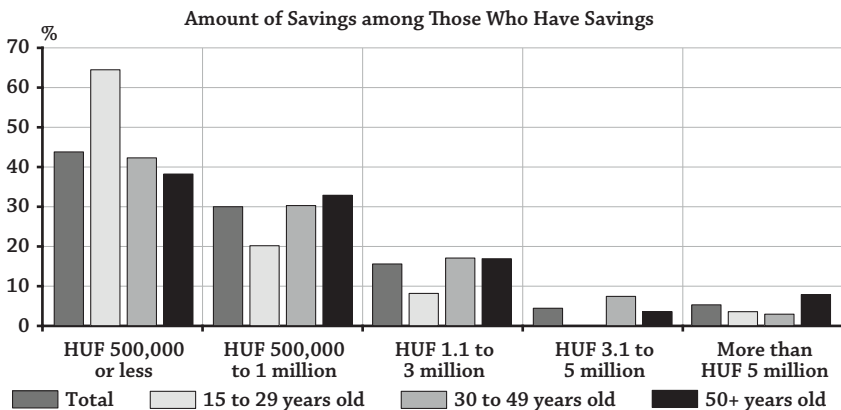
And finally, it is not surprising either that higher-income groups have more money to save, whereas there is an increasing number of people in lower-income groups who spend all their income and do not save at all as living conditions are becoming harder and harder.

As for the amount of savings, three-quarters of those who have savings have less than one million HUF, while only one-tenth of those who have any savings, i.e., less than 2% of the whole population, have over 3 million HUF! (The age group GfK researchers interviewed was between sixteen to sixty-four, therefore we cannot tell from the results how the savings are distributed by household. Thus, this may be the distribution of savings by households, but the distribution may be even more extreme if savings are accumulated in

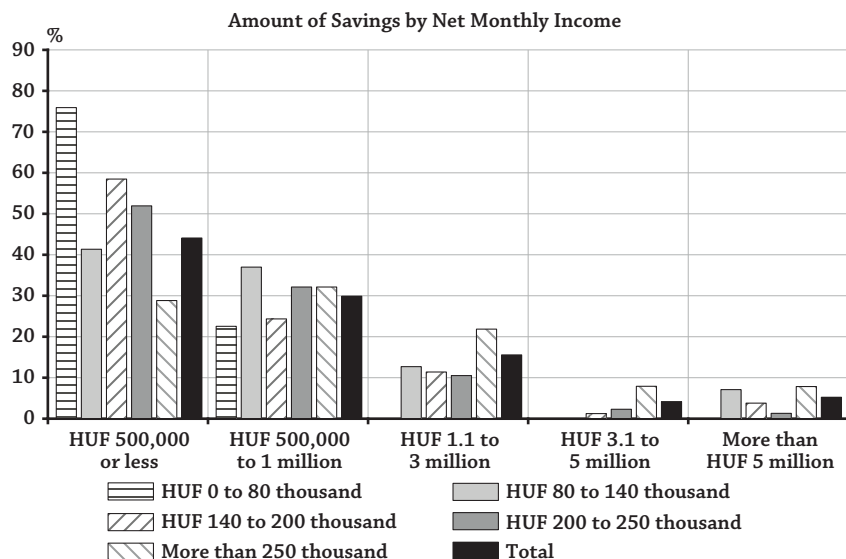


Source: GfK Retail Banking Monitor, 2013.

certain households by several family members having their own savings. In that case, the proportion of households who have savings will obviously be even lower.⁹⁾ If we consider 3 million HUF a boundary line, in the sense that if someone has more savings than that, they can live on them for one year if they lose their job and are unable to make money, then we can say that a mere



Source: GfK Retail Banking Monitor, 2013.



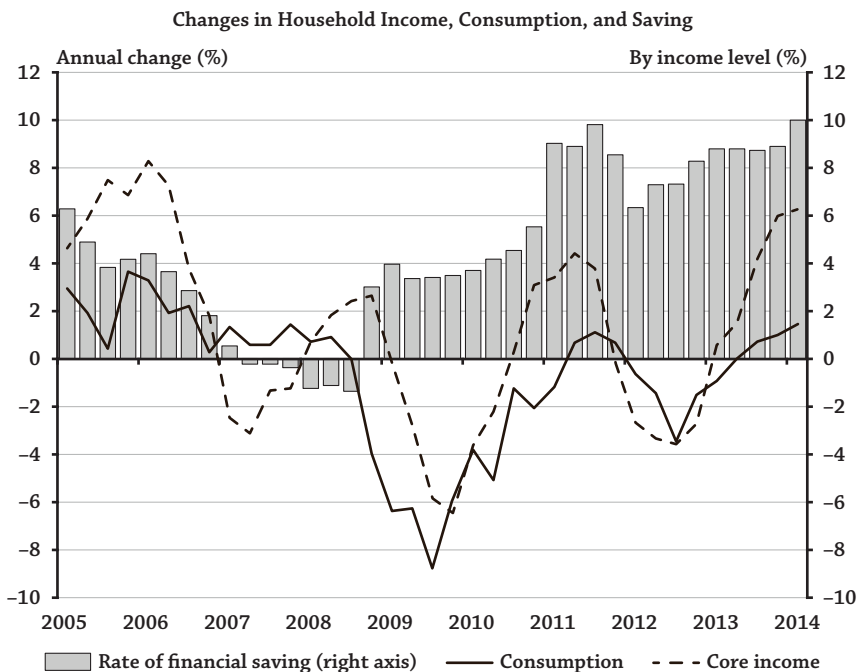
Source: GfK Retail Banking Monitor, 2013.

one-tenth of those who have savings, which equals to 2% of the whole population (2 people out of 10 in active age groups) will have no reason to be worried about their livelihood for a year if they lose their job.

In other words, the rest do have a good reason to worry about losing their livelihoods, as they have no reserves to fall back on for survival.

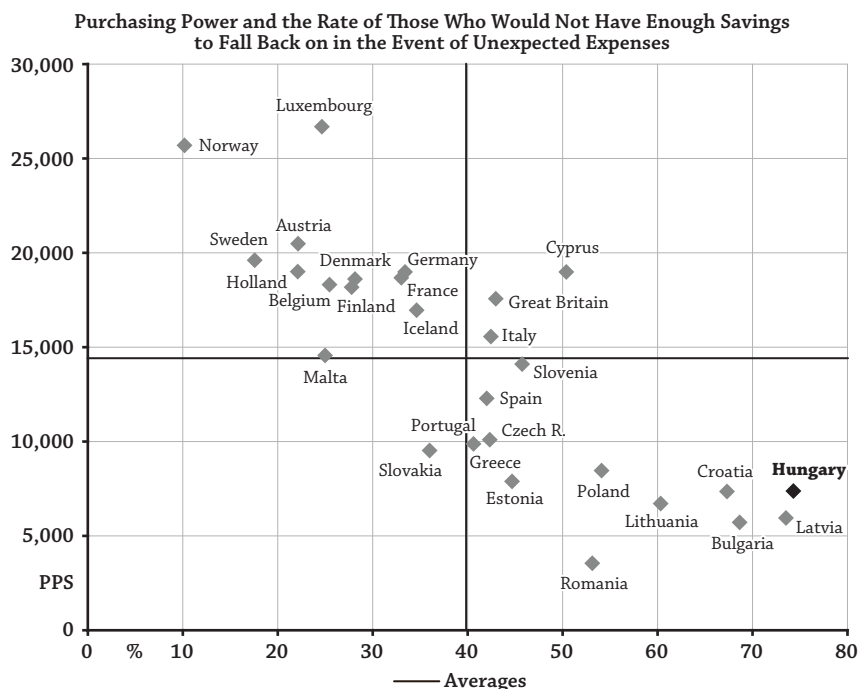
If we compare the Hungarian National Bank's aggregate data about retail saving to GfK's data about people who have savings and the amount of their savings, we can conclude that the 5% of the population who have more than 5 million HUF in savings have 28 million HUF per capita (i.e., not by household but by each member of the household) on average. Macro data (without distribution) also confirm the increase in saving by the highest-income groups, with a growing distance from the majority of the population. Information generated by the Hungarian National Bank shows that in spite of the typically negative changes in income and the dramatic decrease in saving by lower-income groups, the change in retail saving has been positive since 2009. This surplus is most probably due exclusively to the significant increase in saving by the highest-income groups.

The fact that the savings of the majority of the population have decreased, and that therefore the financial security of the population has



Source: G. Pellényi, "Makrogazdasági kilátások: Inflációs jelentés" [Macroeconomic Prospects: Inflation Report], June 2014, Hungarian National Bank, 26 June 2014.

considerably weakened, is confirmed by external data as well. Data from the Household Budget Survey of the Hungarian Central Statistical Office, transmitted to Eurostat's SILC survey, show that the ability of Hungarian households to deal with unexpected expenses at the end of the month has deteriorated in the previous years, with the result that today Hungarian households are among the most vulnerable among the EU countries. This vulnerability cannot be the consequence of low income in purchasing power terms as Hungarian data indicating vulnerability are worse than those in many countries with lower income rates. We have good reason to suppose that this high deprivation indicator is related, first and foremost, to the "melting away" of savings in the last few years—of savings that were already quite meager to begin with.



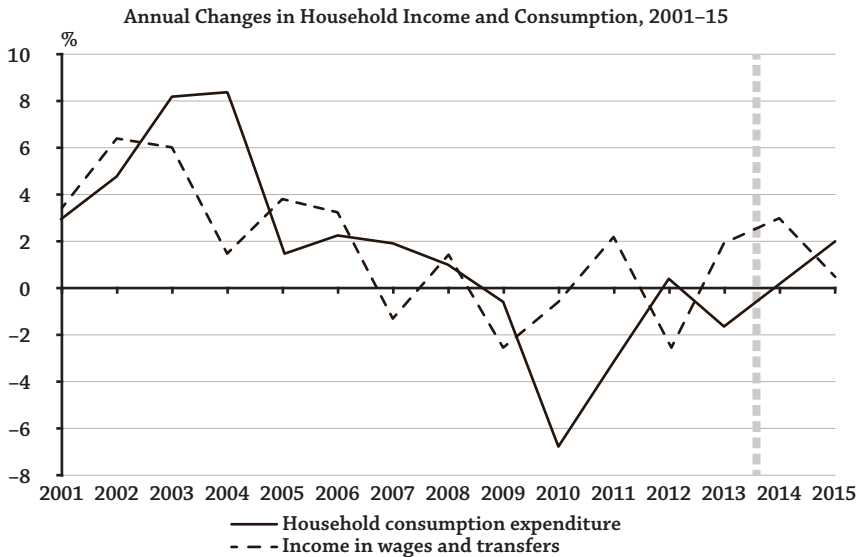
Source: Eurostat, 11 April 2014,

http://tenytar.blog.hu/2014/04/11/eletminoseg_magyarorszagon_es_europaban_1_resz.

Income Value

When we analyze living conditions, it is actually not income changes that are the most interesting: although it is easier to measure income than “living conditions,” it is not the amount of money which is relevant but the level of comfort one can buy with that income.

In general, we can say that the total consumption of households has mostly decreased; in other words, the earned income—corrected by the spending of earlier savings which increased the income, as well as by loan payments which reduced the income to a higher extent—could be “converted” to fewer articles of consumption (with the exception of 2012 and 2014, when there was a very moderate +0 growth in consumption).



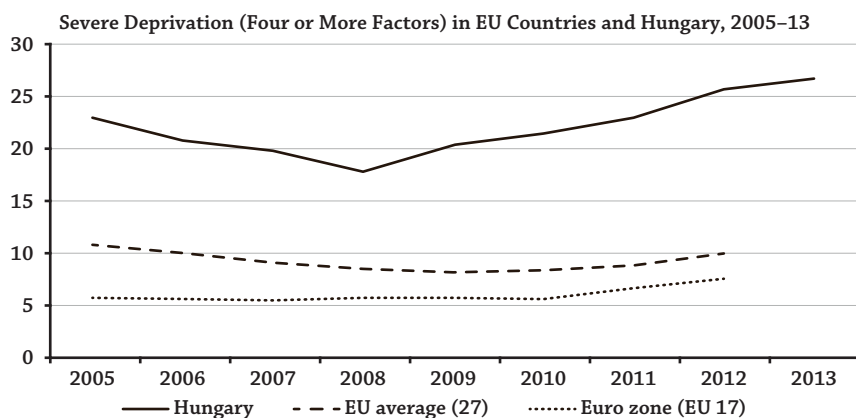
Source: G. Pellényi, "Macroeconomic Prospects: Inflation Report, June 2014," Hungarian National Bank, 26 June 2014.

To interpret social conditions, the European Union uses not only poverty indicators defined by the overall income conditions of the individual countries, but so-called indicators of deprivation as well, which partly coincide with poverty indicators. These indicators measure the number and ratio of those who are deprived of living conditions that are considered to be normal and usual. Among these conditions, data measured in EU member countries register the presence or absence of the following:

1. Would unexpected financial expenses be impossible to deal with?
2. Can they afford to take a one-week-long vacation, away from home?
3. Do they have payment arrears (in loans, rent, bills, purchase loans, etc.)?
4. Do they eat meat, chicken, or fish (or the equivalent) at least every other day?
5. Can they afford to their home sufficiently warm?
6. Do they have a washing machine?
7. Do they have a color TV?
8. Do they have a telephone?
9. Do they have a car?

In other words, what deprivation indicators measure is not only income but also the living conditions that that income makes possible. Also, they interpret data about the presence or absence of normal living conditions in the whole of the EU rather than in terms of the conditions of the individual countries. In this context, the deprivation indicators of Hungary are naturally much worse than our poverty indicators, which show the extent of income inequality.

This chart also shows that the rate of the severely deprived within the population decreased more quickly than the European average before the crisis, and increased much more quickly since the onset of the crisis.

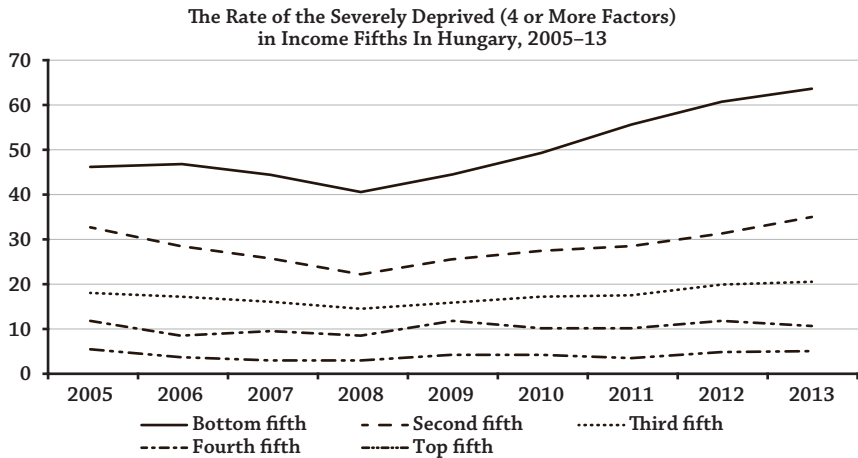


Source: Eurostat, 2013.

Moreover, it is not only the number of those who are deprived of 4 or more “living conditions” that grew, but the average number of deprivation factors has also grown more significantly than the EU average since the onset of the crisis: in the years before the crisis, the number of deprivation factors in the total population was reduced from 4 on average to 3.85 by the onset of the crisis; however, it has been continually growing since 2009, to more than 4.1 by 2013 (Eurostat, 2013).¹⁰

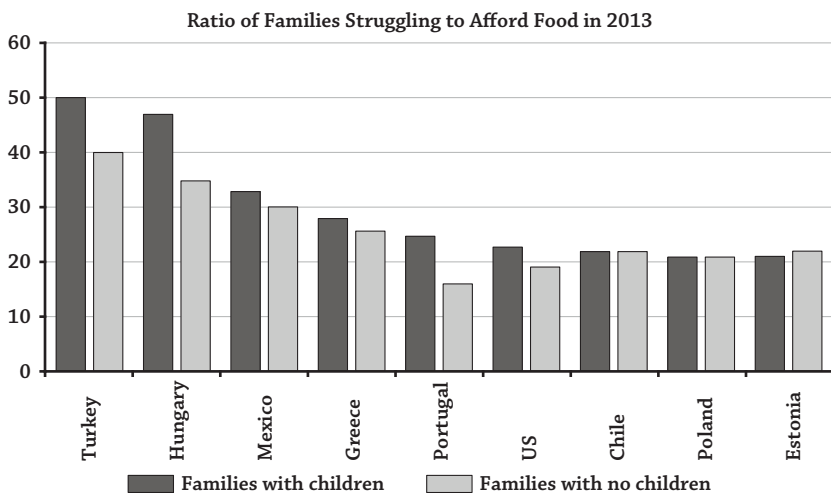
What is really surprising in the distribution of the severely deprived is not that the lower the income, the higher the rate of the severely deprived, but that even in higher-income groups, we can find people who are deprived of basic living conditions by European standards; moreover, in each income category the rate of those whose income is not enough to grant them a living that is not severely deficient by European standards has increased. The same can be said about temporal changes: in the last few years, the rate

of the severely deprived has grown significantly in the lowest two-thirds in income, and slightly in other groups of Hungarian society. Obviously, the fallback of those in the lowest-income deciles cannot be compared to the responses to the crisis (less consumption) of those in the middle-income range.¹¹



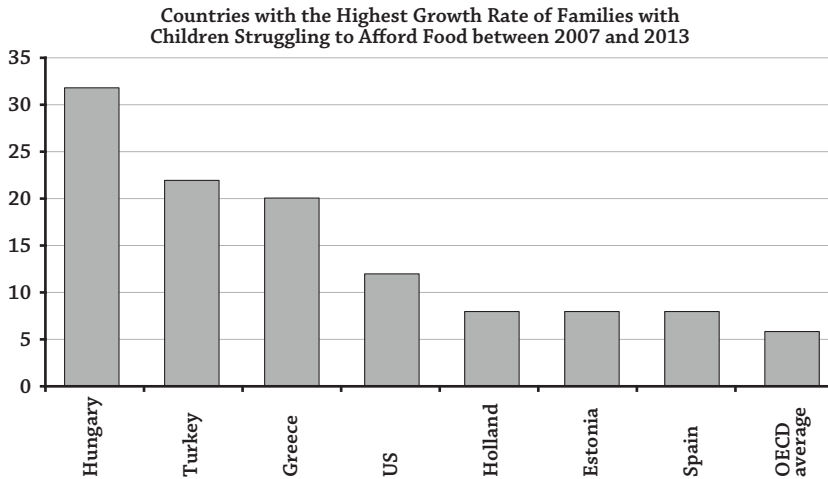
Source: Eurostat, 2013.

To support our conclusions from Eurostat's deprivation data with external data sources, let us see the results of the international comparative research



Source: GALLUP, 2014.

in the thirty-four OECD countries, made by Gallup for the OECD, about the change in the number of childless families and families with children struggling to afford adequate food, between 2007 and 2013.¹²

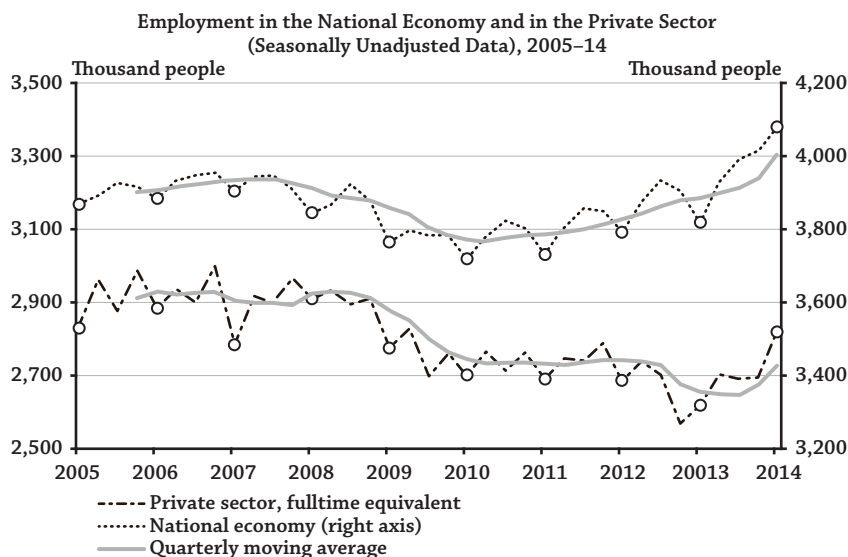


Source: GALLUP, 2014.

Here also, we must stress that the rate of families who claim to be struggling to afford food is much higher than the rate of poverty—in other words, even the medium fifths often struggle to afford food. We should also stress, however, that the question is related to the subjective feeling of the respondent, so the data do not necessarily indicate malnutrition, though they certainly indicate the likely presence of that, too. In the case of the medium fifths, the responses rather show that they must economize on food, that the parents cannot provide their children with the quantity and quality of food that they would like. In other words, nearly half of the population is deprived in the sense that they cannot provide their family with food in a way they think is adequate.

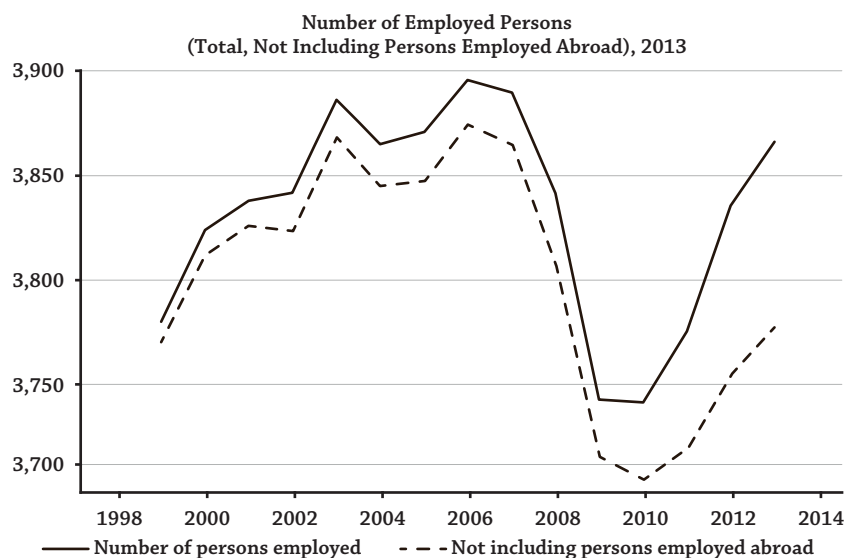
The Crisis of the Job Market: A Possible and Easy (but Wrong) Explanation

On the level of macro data, all this would lend itself to the explanation that the deterioration of the living conditions of the population is mainly due to the crisis, and especially the crisis of the job market. In fact, at times of economic downturn, when companies lose their markets, and therefore employ fewer people for lower wages, this leads to the deterioration of the population's income and living conditions. At first sight, this explanation seems to be corroborated by data.



Source: G. Pellényi, "Macroeconomic Prospects: Inflation Report, June 2014," Hungarian National Bank, 26 June 2014.

This explanation is reinforced if we consider the fact that the Labor Force Survey, which measures employment according to international standards, includes data about people working abroad, whose number significantly rose after 2010:

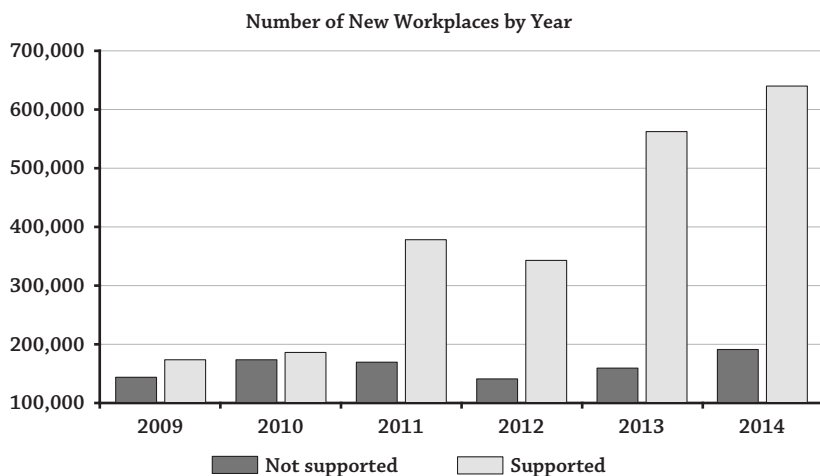


Note: the annual figure for 2013 is an estimated value. The figure for the first quarter of 2013 has been corrected on the basis of the ratio between the figure for the first quarter of 2012 and the annual figure for that year, assuming that the dynamics within that year was the same as in the year before.

Source: János Köllő, "Munka hadának a lépése: Hogyan áll a foglalkoztatásért vívott háború?" [The war for employment], *Magyar Narancs* 39, 26 September 2013, <http://magyarnarancs.hu/publicisztika/munka-hadanak-a-lepese-86721>.

In his article, Köllő stresses that data about the number of employed persons show the situation in a more favorable light than data about the rate of employment, since the basis for the ratios, the number of active persons (age sixteen to sixty-four) has decreased considerably in that period. He also stresses that the broadening employment toward the end of the period cannot be considered as the beginning of a new economic growth in itself but rather a "rebound" that usually follows crises—a posterior effect of investment and decisions that were postponed in the acute phase of the crisis.

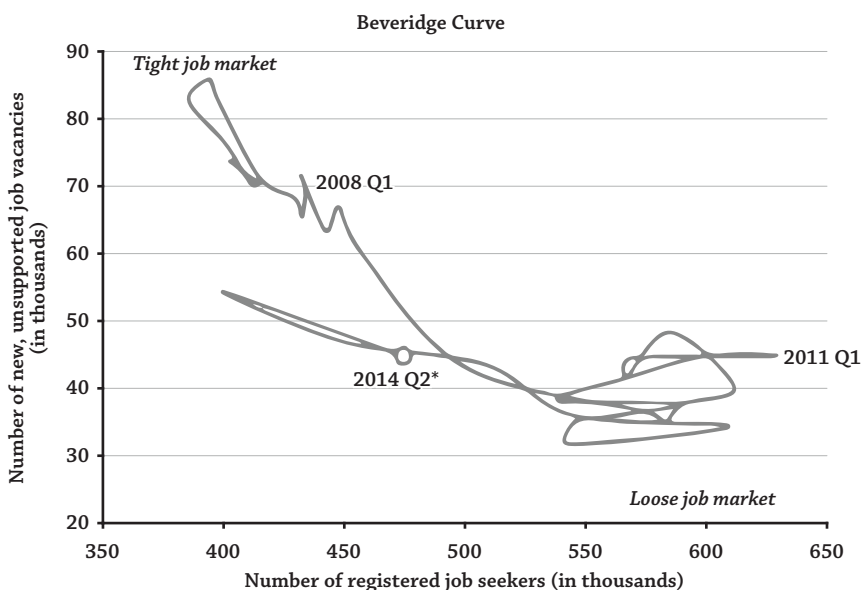
Köllő's opinion is largely substantiated by data concerning the number and the sites of the new jobs rather than overall employment data. These data indicate that there is a protracted crisis.



Source: Sarolta Székely, "Így tenyerel rá a munkaerőpiacra az állam" [How the state manipulates the job market], *mfor.hu*, 29 January 2015,

http://www.mfor.hu/cikkek/Piac_vs_allam_haromszor_tobb_kozmunkas_allas_volt_mint_piaci.html.

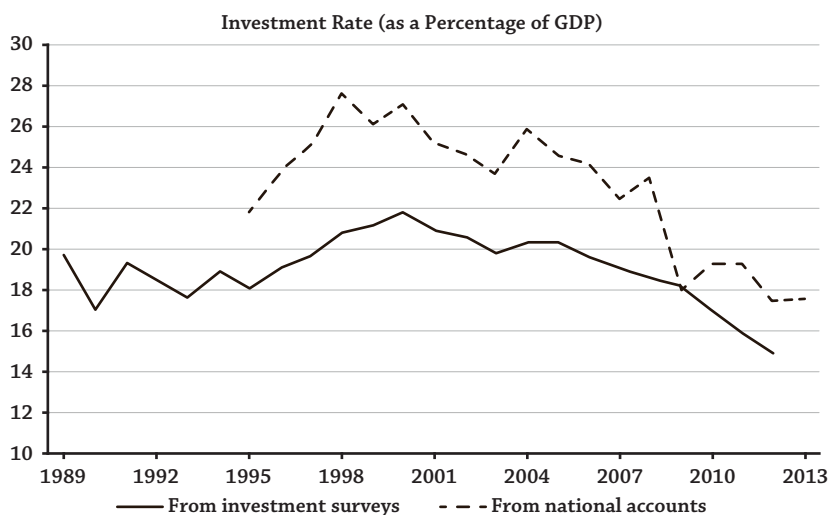
In Beveridge's terminology, this phenomenon can be interpreted as a "loosening" of the job market: the decrease in the number of unemployed persons is not due to the creation of new jobs and people finding employ-



Source: G. Pellényi, "Macroeconomic Prospects: Inflation Report, June 2014," Hungarian National Bank, 26 June 2014.

ment in these new jobs (as in “tight” job markets); rather, it is due to the creation of jobs, predominantly public employment, by the state, with unemployed persons being steered if not forced to do such work.

In other words, we can conclude that public employment, i.e., jobs created by the state, cannot have a considerable effect on easing and ending the crisis as there is no investment involved in their creation, and they are not based on decisions involving new technologies and new market opportunities, but rather on state decisions, and sometimes even on coercion. As there is no investment, and therefore no economic performance, to speak of behind the broadening of employment that offered a glimmer of hope in the previous year, there is an unbroken continuation in the decrease in investment.



Source: Source: Miklós Koren, “Jobban élünk, mint négy év múlva”
 [“We live better than we will four years from now”], *Portfólió*, 19 March 2014,
http://www.portfolio.hu/gazdasag/jobban_elunk_mint_negy_ev_mulva.196615.html.

One could suppose that all this is a matter of ineptitude and blunder: the Fidesz government made an incorrect diagnosis of the signs of the crisis, and mismanaged its causes and symptoms. One could even think that the propaganda of success, the silencing of free and critical media, and the supercilious rhetoric have merely served to disguise this ineptitude. However, in order to be so benevolent as to suppose this, one should at least be able to perceive signs of the government taking steps to ease the crisis, even if unsuccessfully. Or one should at least see signs of the govern-

ment trying to follow the crisis management policies of some countries in the region that have proved successful, even if they showed incompetence in copying others.

However, this is not at all what we see. What we see is that government measures seem to aggravate the problems intentionally. We have already called attention to a very important factor: the changes in the income taxation system reinforcing income inequality. But this is far from being the only item on the list.

Plundering the Society: The Aggressive Mafia Tactics of the Government

Taking macro data as our starting point again, it is clearly visible that the level of state income taxation, which was quite high to begin with, has increased further, while the nominal value of social transfers has increased only slightly, with its real value showing a decreasing trend.

According to 2013 data from the OECD, taxation on wages is 49% on average, i.e., half of employment costs are taken away by the state, which is the fourth highest rate among OECD countries. Most OECD countries have progressive tax systems, but in Hungary there is a flat rate, so that taxes on low wages are among the highest (the rate is similar to the rate in Belgium, where wages are considerably higher), while taxes on high wages are only slightly higher than the OECD average.

While labor taxes were high even before, and have hardly changed, consumption taxes have increased significantly: from 2008 to 2013, state income from consumption has increased by more than one-third in nominal value. This increase is not only due to the increase of the level of VAT to 27%, but also to the introduction of new consumption taxes like the levy on financial transactions and the tax on telecom services and on insurances.

The aggregate result is that the level of taxation in Hungary is almost unbearably high: it is estimated that two-thirds of earned income enhances the income of the state, through indirect labor taxes and direct consumption taxes, and only one-third is directly consumable or savable household income.

The real value of the sum of social income—i.e., that part of state income which is “returned” to the population—has slightly decreased: from

more than 32% in 2009, it has decreased to around 30% by 2013 within the income structure of the whole population. This slump may not appear significant, yet if we take into consideration the fact that pensions, which make up three-quarters of social income, have not changed significantly, then the reduction in the remaining 25%—e.g., the failure to index family allowances and the reduction of benefits for the poor—indicates a much bigger slump.

It is not only the level of social income that has been reduced; there have also been significant changes in the principles and techniques of distribution.

None of the previous social-political systems in Hungary had given a sense of security to the citizens. The political systems handed out money when they had the means (or even when they did not have the means but were intent on giving, for some reason or other), and took it away when they did not have the means or when they did not want to give. It was the social security scheme that compensated, and sometimes overcompensated, for this insecurity, a scheme that redistributed almost four-fifths of social income among those who were entitled to receive it (by acquired right, and mainly through the pension system). This was done primarily by revoking rights acquired through earlier payments, besides cutbacks in other social systems (since 2010 the government has started to systematically destroy the social security scheme, and with that, any remaining sense of social security). The constitutional right to social security was taken out of the Fundamental Law (i.e., the constitution) of Hungary, and early retirement schemes were taken out of social services given on the basis of acquired rights. These include service pensions and disability benefits for those who are employed in the armed forces—instead of these, discretionary allowances based on individual evaluation were introduced with retroactive effect.

The destruction of the institutions of social security continued with a hidden provision: the complete elimination of pensions and social security as an “acquired right.” (Contributions are compulsory fees which are paid as tax, and which entitle the payer to receive payment from the Health Insurance Fund in the event of the materialization of risk.) Reclassifying the employer’s contribution—which amounts to a large part of all contributions—as tax means that these payments do not create binding rights for the payer, similar to taxes.

A central element of social security is the idea of a “social safety net,” which means that the income and the living conditions of people should

not be allowed to fall below a socially accepted minimal level. Since 2010, the Hungarian state has no obligation to guarantee this. Consequently, the number of people abandoned by the state, deprived of benefits, allowances and transfers, with no legal income whatsoever, has swollen to more than half a million. In 2013, the government went even further: while the right to drinking water has been recognized since 2010 by the United Nations, even in Africa, most of the roadside pumps in areas inhabited by the Roma in the northeastern town of Ózd were closed down in the height of the summer of 2013. All this goes well beyond the social question: the Fidesz government keeps talking about rights and duties going hand in hand, without realizing that there are certain human and civic rights in the case of which one cannot propose to examine whether duties have been fulfilled or to sanction the failure to fulfill those duties by denying similar rights. (The roots of the government's indifference and insensitivity evidenced in the case of the Roma murders in 2009, and the trial of the murderers are similar, even though they promised to pay damages to the victims' families after the judgment was handed down in August 2014.)

The ideal of social security has been gradually replaced by the social-political system regulating and punishing those whose lifestyle does not conform to political norms and expectations, and by criminalizing and punishing various typical manifestations of the lifestyle of the poor and the destitute. By passing an amendment that outlawed sleeping in public places, they criminalized the homeless (this amendment was revoked by the Constitutional Court, but it trickled back into regulations as a local government decree, limited to certain areas). However absurd it may sound, if a child cannot attend school in winter because he or she has no shoes, the government, rather than reacting by providing the child with shoes, punishes the family by reducing the meager income of the parent.

The criminalization of poverty also indicates the fact that though public services provide fewer and fewer supports, they try to control the private life of citizens more and more intensively. The education and child protection system punishes the parents if they do not educate their children "properly," the health-care system punishes unhealthy diets and the consumption of substances that are injurious to health (at least smoking though not drinking; actually, drinking and distilling *pálinka* is an explicitly supported pastime), and a neglected garden or the lack of an outhouse may be punished by the withdrawal of benefits. The criminalization of poverty and the constriction of private choices by the political system, the enforce-

ment to follow the norms, has become a fundamental “educational principle,” apparent in the institutional rules of the educational system, as well as in criminal policy (e.g., by reducing the age of criminal responsibility). These changes can be interpreted so as to give a legal basis for a discriminatory disenfranchisement of poor people: certain conditions or factors in people’s private lives that are not sanctioned and are not even investigated by the authorities in the case of other people, have become reasons to punish poor people—who are often members of the Roma ethnic group—by law and by the public services.

In Hungary, local communities and civil organizations—which often do not follow consistent social or social-political goals and are solely motivated by pity—help the needy much more empathically than the autonomous local governments and grassroots initiatives of other countries in the region. This is evidenced by the high participation rate at fundraising campaigns before holidays or after natural disasters, as well as in the earlier practice of local governments and civil organizations, especially in their support for poor children. The centralization of institutions by the government has practically eliminated administrative and financial possibilities for local aid, considerably restricting the power of the local governments to operate institutions. It has also placed educational and public health institutions, as well as a number of social institutions, under state supervision. (Certain forms of aid have been placed under local government control by 2015, without allotting guaranteed and tied resources. In other words, local governments are entitled to grant certain kinds of benefits—housing benefit or pharmaceutical allowance—from their own, untied revenues, at the expense of other tasks, provided that this does not hurt the interests of more powerful voters.)

Parallel to that, the government has abandoned the earlier policy of neutrality which meant that church and civil organizations used to be equal in rank with state and local government institutions in providing public services. The operation of the former has become much more difficult, or even impossible, with the exception of those church organizations that find favor with the government. In a social-political sense, these centralization processes made it all but impossible for local society and civil organizations to compensate and balance the social-political principles of the government. It is mostly those NGOs which assured the government of their unconditional loyalty for the social policy of the state that managed to stand their ground. By the summer of 2013, however, the situation got

even worse: those organizations which did not support the social-political goals of the government but worked for other goals (e.g., human rights), as well as those which had received support from independent sources (e.g., the Open Society Foundation, founded by George Soros), were caught in the crossfire of government and progovernment media as hostile to the government and “disloyal to the nation.” Besides the police harassing NGOs, especially those that have applied for or distributed international and private funds, the government is more and more unscrupulous in channeling funds—not only national but EU social funds as well—to loyal (mostly church) organizations. This ambition was explicitly formulated in the preliminary documents of the operative programs for 2014–20.

Traditional Interpretive Frameworks: Ideology and Inequality

Welfare systems and political regimes are usually classified by the differences between their value systems and ideologies, as well as their attitude to various social inequalities and their relief. The development of modern Western societies was always directed toward equality in some sense. The fundamental idea of bourgeois revolutions, whose main idea was to destroy the feudal order, was to eliminate the privileges of the nobility and to guarantee equality of rights before the law. This was the fundamental base on which both the Anglo-Saxon and the continental European development of the idea of equality was built, even though they continued in different directions. In the American and the British political tradition, policies aimed at creating equal opportunities—by creating fair conditions for competition; if necessary, with the help of state policies—have been predominant, compensating for social harm by legal and judicial practice based on civic law (e.g., antidiscrimination policies implemented through courts and tribunals). In continental Europe, however, from the Mediterranean to Scandinavia, the idea of equality is not about compensating for the past, but about reducing the risks of the future, by ensuring “equality of outcomes,” as well as equal access to rights and public services, especially education and health care. The reduction of income inequality is subordinated to these goals. (It is a peculiar development of the twenty-first century that the two traditions have started to converge: Europe is paying more and more attention to the policy of equal opportunities, and Obama has

adopted a number of elements from the European ideal of equality, more than any of his predecessors. This is especially evident in his health-care reform, but also in some other issues that have created minor political conflicts, e.g., the issue of early learning.)

Within the European ideals of equality, there are further differences between the ideologies of the various parties, depending on their conception of what a society should look like: conservative parties interpret the moral commitment to equality as a token of slow, gradual development based on virtue handed down by our ancestors; liberals think of equal opportunities for market success as a necessary precondition of the market and of free competition; and the reduction of social inequalities in a wide sense is a key element of socialist and social-democratic ideologies.

Thus, we could say that modern constitutional legal states and their significant political forces are egalitarian, even though they follow different political philosophies, traditions, and constitutional principles. In this club, it is unbecoming to declare one's ambition to increase inequality. So much so that parties and policies that are prone to such impropriety are regarded by this political club as discriminatory, barbarous, and despicable—as radical ideologies that reject constitutional statehood.

In this interpretive framework, Orbán and Fidesz are far from being part of the European club. Not only does Orbán have no ideas or principles about any kind of social equality, but all his social-political measures and laws, as well as his rhetoric, indicate his intention to destroy ideas of equality. Yet, many political analysts of the Orbán regime tend to describe this system, which is actually not part of mainstream European political circles, in terms of its differences from the ideological and equality norms of those circles.

Others characterize this system as some kind of premodern, feudal political order, or at least a reincarnation of an Eastern European “second serfdom” or the social order of the Horthy regime. According to these political analysts, the system is falling apart in the sense of the public law as well: on the one hand, there are gentry minions and aristocratic vassals who are above the law and who obtain positions for political favors, and on the other, there are “new serfs” who are deprived of rights, and whose existential security is continually challenged, rather than guaranteed, by the regime. Although these analogies are not completely unfounded, they are not relevant enough to be helpful in interpreting the operation of the system. On the one hand, the privileges and “fiefs” of vassals are not yet

inheritable by law, at most only by corrupt property transfers, and since they are not dynastic, they can always be reclaimed—so in order to preserve them, the vassals have to give daily proofs of their loyalty to the ruler and their willingness to serve him.¹³ And on the other, the feudal analogy cannot be applied seamlessly to the lowest segment of society, either. Even though the situation of the medieval serf was far worse than that of his overlords, and even though the “contracts” between them were asymmetrical, at least there were certain deals of the “my-house-is-my-castle” type between them that ensured the self-determination of serfs and the freedom of cultivating their own plot of land; so much so that it was these correlations—which were asymmetrical but provided secure grounds for making a living—that kept the system going. In this sense, Orbán’s system abrogates all kinds of correlations and deals, and gives almost everyone outside the circle of vassals the feeling that any assurance can be revoked at any time.

Other political analysts use modern analogies, comparing Orbán’s system to political traditions that rejected the democratic and constitutional tradition. The first such analogy was to the Kádár regime, referring to Orbán’s system as postsocialist. This idea was based on the language use of leading Fidesz members who came of age in the Kádár era, and their propensity for populist promises of welfare, in spite of their rhetorical contempt for Western development. By now, however, the dramatic deterioration of the social situation has made any analogy with Goulash communism or “fridge socialism” all but irrelevant.

Finally, political analysts often see an analogy between Mussolini’s corporate fascism and Orbán’s system. These analyses make a distinction between fascism and Nazism, stressing that the Orbán regime is not explicitly anti-Semitic and racist (although they do not mind a hint of racism and anti-Semitism, neither do they do much against anti-Semitism and anti-Roma feelings represented by Jobbik in the political arena). These analogies stress, on the one hand, the dismissal of the principle of checks and balances and constitutional principles that guarantee the political representation of minorities, as well as the constant reference by the government to the “word of the people” and the “will of the nation” when overriding parliamentary institutional mechanisms in political decision making. On the other hand, political analysts have called attention to analogies between fascist ideology and the Orbán regime’s system of symbols. In their rhetoric, both political systems refer to some kind of pagan, folkloristic tradi-

tion of dubious authenticity which rejects the Judeo-Christian European culture and modern rationality; both are typified by a symbolic reliance on the cult of physical force and health, and on the cult of action without self-examination and self-doubt rather than “superfluous” reasoning; both encourage citizens to take up the fight heroically in this ultimate, merciless battle against the enemy, in order to establish a new social order, which is as disciplined as a military organization.

However impressive and thought-provoking these analogies are, they fail to describe the systemic peculiarities of the regime. Although the Orbán regime has certainly attempted to eliminate constitutional and parliamentary checks and balances, it is also true that Orbán keeps referring to the political potential of the two-thirds majority. He makes sure to enact even his most obviously authoritarian and unlawful measures, using his parliamentary majority. In principle, his system does not deny the rules of parliamentarism; he just unscrupulously exploits the formal possibilities created by the two-thirds majority.

Remarks concerning the similarity of political symbols are pertinent as well; however, we must stress that these symbolic affections do not add up to create obligatory norms. The elevation of soccer to the level of national myth has not produced a system of symbols that would mobilize society, and although the cult of health and physical force is part of the rhetoric, some members of the political establishment—Attila Vidnyánszky, Géza Szöcs, László L. Simon—would not be mistaken for Hercules. (Nor is the leader himself, though he is an enthusiastic soccer player.)

To sum it up: although political analysts are certainly right when they bring up analogies with other antidemocratic regimes—Orbán’s regime is similar to or even identical with those regimes in a number of ways. However, those similarities do not add up to form a consistent ideological or political system. This “value system” is held together only by the Godfather’s visage, rhetoric, Dakota proverbs, and truisms. The texture of Orbán’s statements that sometimes bear a vague similarity to a value system, is made up of chaotic manifestations of rootless patriarchal, authoritarian myths, patched together. The difference between communities of value aimed at achieving certain types of “good”—communities of value that are called “ideologies” in politics—and Orbán’s value system is just as big as the difference between artistic “isms” and random, tasteless objects lumped together. The mafia state has no ideologies and no ideals of equality.

It is only natural that political analysts should be looking for historical or geographical analogies to explain the political system of the Orbán regime, as the terminology they use to describe various phenomena derives from their description and analysis of systems. It is certainly an existential question for scholars, including political scientists, to honor and to apply the traditions of their discipline, including their terminology.

However, scholarly thinking and analysis has certain preconditions that fall outside the inner norms of science. Thus, it is outside the scope of investigation for political analysts to suppose that politics is not about conflicts and social contracts, not about the well-being and development of society, and not about public interest and the public good.

In this sense, searching for analogies between Orbán's mafia state and any other political system is absolutely uncalled-for. Orbán's regime has no vision about how a prosperous country would and should look like. Orbán's regime has imaginary enemies and conspiracy theories rather than progressive goals and strategies of how to achieve them. As he himself has declared in public speeches, he does not pursue a policy based on values or ideology but one based on interest.¹⁴ Therefore, analogies used to describe it cannot be based on values or ideology, either. Orbán's avowal of pursuing a policy based on naked interest justifies the analogy with the mafia.

If Orbán had some vision (i.e., ideology) that could be formulated in a positive way, that would obviously restrain his anti-EU, freedom-fighter rants—is there, after all, an economic setup that could offer a more attractive model and vision for Hungary than Europe? There obviously isn't; it is not by chance that Orbán's political rhetoric does not refer to any alternatives. And when it does, words lose their meaning. When Orbán talks about creating a "work-based society" as against the "welfare states," he is clearly not aware of the fact that John Maynard Keynes regarded full employment as the state of good economic balance, or that the "father" of the welfare state, Lord Beveridge, following Keynes, regarded full employment as the basis for general welfare. If we add to that the fact that during Orbán's term the rate of jobs that create market value was considerably reduced in the business sector, which was only slightly balanced by enforced public employment, then the sentence quoted above shows the naked truth—namely that "work-based society" does not mean the primacy of the kind of work that creates value, but rather a society based on forced labor, a society in which labor is a punishment for those who are not humble or skilful enough to conform to the system.

When there are no goals and visions, there are no consistent political strategies that show the paths for institutionalization, either. And indeed, so far nobody has managed to discover such a strategy, a path leading toward any kind of development, in Orbán's political messages.

When there are no goals, and no paths leading to those nonexistent goals, there are no political value systems and ideals to follow, either. It is simply a mistake to try to interpret Orbán's system in terms of value-oriented, ideological categories: there are none. Conforming to Hungarian political traditions, Orbán's policy consists of mere tactics—communicative gestures of a daily political struggle. The lack of strategy explains to some extent Orbán's communicative and tactical attitude which always involves the naming of new enemies and which always overstates what had been said before: he constantly feels he has to say more impressive things than the day before.

In this world, devoid of values and ideologies, there is no room for any commitment to equality. In this lack of perspectives for the public good and for social ascent, there is only one perspective left: acquiring goods at other people's expense, and thus increasing inequality. Instead of having goals and paths for general economic and social progress, any idea of individual development can only be conceived in terms of distribution. Therefore, questions of distribution (that are at most of a break-even level, but more probably in the negative) become serious political questions: Whom should we deprive of the little they have left? and Who deserves the booty, seized by political means?

The only perceivable political ideologies are explanations aimed at justifying seizure and redistribution. Who can be stigmatized and morally disqualified as enemy, whose plunder can be ideologized, and who should be given the confiscated goods as a victim of earlier atrocities or simply as a "good Hungarian." (This is more or less the idea of a "good Hungarian"—a person who is included in the circles where they share the booty.) Without going into details of this peculiar system of distribution, let us mention some examples of people who are to be plundered in this vision of society: disability pensioners who manipulate their health status (to the point of self-mutilation, obviously), or long-term unemployed people who earn more than HUF 22,500 (about \$80) a month in benefits—while concessions for the retail selling of tobacco obviously go to former victims as a compensation. It is not worth looking for a deeper commitment to justice or other values or ideologies in this system, as we will not find one.

The Thriving of the Adopted Family and the Power Machinery That Ensures It

If one was engaged in revealing how the traditional mafia works, it would be silly to surmise that the machinery is set in motion by an ideological attraction or commitment to the values of alcohol, drugs, or prostitution. It would not be worth either to look for a value-oriented commitment to those branches of economic and political power that the mafia wishes to infiltrate, or to ask what kind of ideological aversions the mafia nurtures against those whom they want to blackmail and whose property they want to seize by threats.

It is also quite unnecessary to look for any long-term social vision or investment strategy (beyond ensuring endowments) in the operation of the mafia. The mafia is not an investment company; it is not interested in long-term returns, and even less in investment to earn such returns. The mafia does not want to invest—it wants to get its hands on things that are produced independently of it.

The mafia state works in a similar way. It does not have visions and long-term strategies, and it certainly does not seek to invest. Whatever looks like investment (e.g., investment and development projects realized with EU money) is mere ritual ballet, obligatory theatrical performance—with immediate acquisition and stealth in mind, wherever there is anything to gain. No visions are necessary for this machinery, and no rational deliberation with future profit in mind: they have to acquire whatever can be acquired, seen, and stolen today. The future affects decisions only to the extent that the mafia must take care to acquire or steal that property now which is going to produce profit in the future—profit that can be stolen if the present situation does not change. The machinery of the mafia state is driven by selfish intoxication with and desire for acquisition, just like the machinery of the mafia. The machinery of power must be subordinated to the creation and maintenance of the conditions for acquisition.

In order to operate this machinery, the mafia state uses the same means that the mafia uses, although these are usually domesticated as coercion by the state. It operates a militant hierarchy with hardly any horizontal organizations (as those would give occasion to dangerous cooperations—it is better to generate conflicts between groups on the same level in the hier-

archy, conflicts which will eventually be “solved” by a clan member who is higher up on the scale, or even the Godfather himself, if necessary, by eliminating the parties).

It is a top-down machinery, with the Godfather himself on top, reinforced by a secret advisory board of experts and lawyers who hold the machinery together, and who are protected against publicity and public accountability.

This militant machinery has to be kept in constant motion, in preparedness or even in military action, lest it should settle down, or start to think and ask questions. The most important means of mobilization is instigating fear of the enemy, and pointing at various sorts of conspiracy and intrigue. And if there are none, then to look for potential new enemies. There must be a continuous struggle against various groups who must be vanquished and eliminated, or at least plundered. In this sense, the search for enemies is not only a symbolic means of upholding the machinery—it is an effective means to ensure acquisition, which is the only goal of the system. It is also a mafia principle to target a weak enemy who is practically unable to resist or who can be vanquished with special means (e.g., blackmail) in order to maximize acquisition. The aim is not to steal the largest property—effective mafia tactics consists in confiscating the largest acquirable property.

In order for this machinery to be sustainable, the symbolic appurtenances and contents of operation must also be paid attention to. The mafia machinery cannot be sustained with mercenaries who receive instant payment for each action; it only works well if on the lower levels of the hierarchy the return is not immediate and not proportional in market terms. This long-term commitment and the guarantee for remuneration is compensated by the familial setup which is sustainable even if adopted relatives are also included in the innermost circles besides blood relatives. (The emblematic representative of the “adopted relative” is the “Godfather” himself.)

The “family” is not only an “order of accountability,” although it is primarily that. However, in order to maintain it as a well-functioning machine, the symbolic order must also be adjusted to it: first and foremost, it must demonstrate the authority of the paterfamilias day by day. This authority is not only asserted as a military authority, evidenced in raids launched and conducted by the “General,” but in other everyday ceremonies and norms as

well. It is always the Godfather who is sitting at the head of the table, and the adopted family must be overjoyed with the food that is served for him. And what his favorite dishes are is, naturally, not a matter of mere taste and appetite, but of some kind of tradition, preferably an ancient national tradition, or at least an ancient family tradition—if neither, then some legend is concocted around them. In that sense, the Godfather's taste is not mere taste but the cultivation of national and family tradition, or what is claimed to be such. It is also a matter of elevated patriotic and family tradition how one passes one's free time (the right way to do that is to go to a soccer match or, alternatively, to sing along with the Gypsy band at family gatherings), what roles family members are assigned within the family (observing the traditional distribution of female, male, children's, and family servant's roles, or at least pretending to observe them).

These ceremonial preferences and their paraphernalia, and the real or invented folkloristic traditions behind them serve not only to maintain internal order, but also to identify external enemies and their representation as enemies: they are not us, they follow unnatural norms and live in disorder and chaos, they are newcomers and strangers, they are different, not our kind; if we do not fight against them, they will get the upper hand—in a word, they are dangerous.

The machinery of the mafia state and its symbolic paraphernalia are, naturally, quite similar to those of the traditional mafia, but in fact, they surpass the latter. The familial structure, with its informal decision-making system has spread over the mechanisms of state administration and parliamentary legislation as well; the obligatory norms and traditions observed by the Godfather are transposed into laws and institutional structures. While the mafia has informal though strict and authoritarian norms—"in our family, this is the custom"—the mafia state has a "Fundamental Law," legislation, regulation for schools, and stadiums built with state money. In this sense, the mafia state has an easier job than the mafia: it disposes of the whole arsenal of legitimate state violence to achieve its goals and enforce its norms on people through its system of symbols.

The enemies of the mafia, the targets of mafia robbery, are merely enemies to be vanquished and eliminated. In this sense, the mafia state is in a more difficult situation: the targets to be plundered and eliminated happen to be voters at the same time. Their power as voters is a potential danger even if the politics of the mafia state does everything to discredit politics and to keep voters away from the elections.

The Social Policy Pyramid Scheme of the Mafia State

The network of the mafia state and its army of minions must receive a continual supply, and its basis must also be continually enlarged. The money and assets to be stolen to assuage the hunger of this network cannot be derived from a thriving economy as the economy is not thriving, and the mafia state does nothing to make it thrive (on the contrary: it confiscates savings, the potential source of investment). As opposed to other dictatorial and oligarchic regimes, the vassals cannot lay their hands on such export commodities as oil, as Hungary has no such export commodities. So the mafia must resort to plundering internal markets: the hunger of the minions can only be assuaged by exposing and confiscating stealable resources of ever more institutions and social groups. However, these resources have become quite meager as the mafia state has done a thorough job so far. Besides confiscating institutional resources (as discussed elsewhere in this book), the state has considerably reduced the income of a number of social groups, including public servants whose income has been frozen, disabled people who were deprived of their pension, pensioners who took early retirement (including security forces and firemen), pensioners who continued to work in retirement, people living on social allowances, retailers and publicans deprived of the possibility to sell tobacco and operate gaming machines (these latter were also obliged to buy new cash registers for about \$400 besides having to pay a number of new taxes), people employed by multinational companies—often highly skilled, working in prosperous industries, and thinking their job was secure—who were made redundant after the companies were forced to reduce costs as a result of government measures directed against them, entrepreneurs deprived of their leased land or their retail tobacco shop, etc. Although one certainly appreciates the imagination of Fidesz in finding ever new opportunities for confiscating property, those government officials whose task it is to find new resources to plunder must be more and more hard put to find any left.

The network building of the mafia state is hindered by statistical figures as well: so far, the income of the top fifth (which includes a significant number of Fidesz minions) increased to the extent that the income of those in lower fifths decreased—this was actually the source of their income increase. In other words, the increase of the mafia state's clientele is highly extensive: the income of a new client can only be increased consid-

erably by reducing the income of four or five people. Therefore, it is quite a poignant question before the elections whether it is worth continuing this unsustainable pyramid scheme in which the potential acquisition of one voter means that the government will lose four or five potential voters.

Opinion polls show that Orbán's mafia state has employed this pyramid scheme quite successfully so far. The reason is partly that it used various campaign strategies (reduction of utility costs; when necessary, fighting for freedom against the IMF and the EU) to divert attention from real income and living conditions. Also, the state succeeded in making people believe that if the nation, the "adopted family," joins forces against the unpatriotic, norm-breaking, anti-Hungarian minority and those foreigners who conspire against Hungary, they will be remunerated sooner or later. By now it has become a generally accepted fact that a large majority of the society has unquestionably lost in this process, as income and property was reshuffled without any real economic growth, social policy has been restricted to redistribution, and people are left with populist slogans promising a reward to the nation and the family. The population is losing patience, there are fewer and fewer people who give credence to the government's shifting of responsibility to previous governments for the consequences of misguided politics, with the large majority of the population blaming the present government rather than the previous (socialist) governments (2002–10) for the fact that the country is going in a wrong direction.

By now there is no doubt that the social pyramid scheme will be exposed; the only question is how long it will take for this revelation to be manifested in well-articulated political action.

Social Policy Reinvented: Giving Privileges to the Clientele, Threatening the Middle Classes, and Building a Forced Labor-Based Society

In the context of the mafia state, social policy is not what one would expect it to be either, on the basis of the practice of European constitutional democracies and welfare states: social policy is not based on the historically developed system of institutions that ensure social security, nor is it a set of instruments to assist the poor and the socially disadvantaged. (How could it be, if the mafia state as a whole does not serve the aims that other states do?)

In the social policy of the mafia state, target groups that are to be supported in principle do not count: their support can be cut, their human rights and dignity can be ignored, the mafia state bears no responsibility for them—mush will not explode, as Nicolae Ceaușescu said; and when it eventually starts to burst, that can be solved by the police and by criminal justice (e.g., by demolishing the huts of homeless people, putting people in jail for scavenging in the garbage, etc.). This social policy is not about the needy; its aim is to mediate the norms of the patriarchal familial order of the mafia state and to ensure that those who conform to these norms are rewarded, and those who are unworthy bear the risks.

The main messages of this social policy are the disenfranchisement and helplessness of social clients, and the possibility of gaining profit by employing forced laborers in the centrally controlled “slave market.” Forced labor, euphemistically called “public employment,” has provided opportunity for abuse for some time—certain village mayors employed public workers and spent public money to build houses for themselves or to cultivate their land. Now, however, this has become absolutely legitimate as public workers can be employed in private business enterprises as well. While many businesses operating at low levels of productivity, in less developed regions where demand is low, are unable to make enough money to be able to pay the radically increased employment costs as a result of the minimum wage, privileged businesses can legally employ public workers at rates lower than the minimum wage—if the state is willing to assign public workers to them. The regulations governing the application of the minimal wage are easy to evade if the state willingly assists privileged businesses.

However, this social policy, controlling and humiliating by nature, is only a minor, complementary source for the booty of the mafia. This social policy is aimed at indirect rather than direct gain, which is derived from the fact that it sends threatening and off-putting messages to the majority of society, and especially to the middle classes—messages that are conspicuous and easy to decode. They are conspicuous as the visibility jackets in which public workers do their useless and dirty job among humiliating circumstances; conspicuous as homeless people dragged away by policemen from busy underpasses and junctions. And it is easy to decode why twelve-year-olds are punished for their stupidity and immaturity; and it is easy to decode why authorities blame human wrecks who used to live on disability benefit and who are unable to do any kind of work, telling them to find work and insinuating that they are probably receiving the benefit because

they are crooks. And it is easy to decode the message of the inaccessible social housing estate built in the municipality of Ócsa (about 30 kilometers from Budapest) for those who were evicted as a result of failing to pay back their foreign currency loans: “Perhaps you can see through the pyramid scheme of the mafia state, and you know that your income is reduced in order to feed the mafia, but do not protest and do not revolt—if you do not follow the norms of the mafia state, you will end up here, too! You’d better shut up and keep doing things the state recognizes as laudable, even if you have to suffer—if you don’t, this will be your fate as well.” Even if you have escaped so far...

The social policy of the mafia state is aimed at intimidation, deterrence, and demonstration. It makes a scapegoat of its victims who are to be morally condemned, thereby stirring up a conflict between the middle classes and poor people. It has successfully directed right-wing radicals to violence against the poor, and away from confrontation with the mafia, insinuating that the downslide of the middle classes could be stopped if “those dirty poor”—mostly Gypsies—got from society what they deserve: that is, nothing.

Unfortunately, so far this “social policy” seems to be working quite well...

Summary: “Those Who Have Nothing Are Worth Just That”

There were many who just waved their hands dismissively when this declaration by the Minister of the Prime Minister’s Office, János Lázár, leaked out from a secret recording, but this sentence—besides showing his arrogance—clearly expresses the social policy of the mafia state in a nutshell. Perhaps all we could add is: “and what they have depends on how much we give them, how much of their possessions we let them have, or to what extent we plunder them.”

The whole society, ruptured in two places, with two inequality fault-lines—one above the bottom tenth, the other below the top tenth—can be classified in terms of this power machinery as follows:

The top tenth consists of the mafia, the “organized upper world.”¹⁵ This is the world of Fidesz vassals, plus all those who were somehow included in the circle of the privileged as a result of a statistical error. In our opinion, the high statistical error is due to the imperfections of the system described

above: the tax system and the system of fiscal allowances has yet to improve in filtering out vassals—however, it is clearly perceivable that the favors are becoming more and more personalized, through corruption and property transfer.

The middle layers are the basis for the thriving of the mafia—these are the people whose losses are reshuffled to the top tenth. They cannot be immediately deprived of everything they have as the mafia's income would rapidly decrease to zero: if there is no one left to plunder, the mafia will have no income. For the government to be able to stay in power in spite of deteriorating living conditions, they must use deterrence and threat, besides propaganda and circus effects.

And to achieve that, they must degrade the bottom fifth to the status of public worker/slave, humiliate them, and strip them of their dignity and humanity. There is nothing left to steal from these people, yet they have a very important function: their example deters the middle classes, plundered but not yet plunged in misery, from protest and revolt against the mafia.

The social policy of the mafia state has a clear function in maintaining and operating the power machinery. Hopefully, not for long. It is already cracking, and its resources are dwindling. There is no strong and convincing political alternative on the horizon yet, but it will hopefully take shape soon.

NOTES

¹ The value of the Gini coefficient is 0 if everyone has the same income, and it is 1 if all income belongs to one household, with all other households having 0 income. The transition between the two is continuous; the higher the Gini coefficient, the greater the inequality of income.

² Zsuzsa Ferge, "Miért szokatlanul nagyok a magyarországi egyenlőtlenségek?" [Why are inequalities unusually great in Hungary?] *Esély* 2 (2008): 3–14.

³ Csaba Tóth G. and Péter Virovác, "Nyertesek és vesztesek. A magyar egykulcsos adóreform vizsgálata" [Winners and losers: Analysis of the Hungarian flat rate tax reform], *ÁSZ, Pénzügyi Szemle* 4 (2013), <http://www.asz.hu/penzugyi-szemle-cikkek/2013/nyertesek-es-vesztesek-a-magyar-egykulcsos-adoreform-vizsgalata-mikroszimulacios-modszerrel/toth-virovacz-2013-4.pdf>.

⁴ Colin Crouch, "Privatised Keynesianism: An Unacknowledged Policy Regime," *British Journal of Politics and International Relations* 11 (2009): 382–99.

⁵ Monica Prasad, "The Credit/Welfare State Tradeoff: Toward a Demand-Side Theory of Comparative Political Economy," 16 December 2010, <http://ssrn.com/abstract=1602204>.

- ⁶ Akos Rona-Tas, "The Rise of Consumer Credit in Postcommunist Czech Republic, Hungary, and Poland," in *Socialism Vanquished, Socialism Challenged: Eastern Europe and China, 1989–2009*, ed. Nina Bandelj and Dorothy J. Solinger (Oxford: Oxford University Press, 2012).
- ⁷ I would like to thank colleagues at DunaHouse Ltd. for their permission to publish data they had collected.
- ⁸ I would like to thank the researchers at GfK Ltd., Germany's largest market research institute, for making their data available.
- ⁹ In the case of questionnaire data, we must take a number of potential errors into consideration. Responses about property are probably even more distorted than data about income that are of dubious authenticity themselves. This is evident not only in the fact that only 60% of the subjects answered questions about their savings, but it is also obvious that the responses do not necessarily conform to the truth about actual savings. In light of this, it is possible that our published data about savings and their distribution do not necessarily coincide with data about the savings of the whole population, i.e., response and denial of response is independent of the subject's amount of savings. However, if we suppose that those who have savings are more likely to deny response, moreover, the more savings the subject has, the more likely they are to deny response or to give distorted data (i.e., disclose less savings than they have in reality), which is quite plausible, then the actual degree of savings is higher than our published data. This is actually my personal opinion; however, we cannot estimate the degree of distortion, and besides, the scale and tendency of the data will not change significantly even if we calculate with 50–100% measurement error (i.e., if the ratio of those who have more than 3 million HUF in savings is 4 rather than 2%—that is still a very low figure).
- ¹⁰ Eurostat: Income distribution statistics, 2013; further information: Eurostat Statistics Explained, Income distribution statistics, http://ec.europa.eu/eurostat/statistics-explained/index.php?title=income_distribution_statistics&oldid=294183
- ¹¹ This response was already registered as a paradoxical effect of crises by Keynes (and Samuelson, quoting Keynes in his book that has been used, with minor changes, as a basic textbook for the study of economy since 1949): while on a macro-economic level, it would be "rational" to maintain, and even increase, the level of consumption, on the micro-economic level, i.e., on the level of household consumption, a cutback on consumption—preparing for worse scenarios—is the rational choice. This peculiar inclination to cut back on spending was confirmed and clarified in the last decade by the experimental results of behavioral economics.
- ¹² For the source and the analysis of the data, see Andrew Dugan and Nathan Wendt, "Families Struggling to Afford Food in OECD Countries," Gallup website, 30 May 2014, <http://www.gallup.com/poll/170795/families-struggling-afford-food-oecd-countries.aspx>.
- ¹³ Although loyalty to the Godfather guarantees that the "vassal" is above the law (if necessary, the law is rewritten retroactively to suit personal interests), there have been some signs lately that this may change. The decline of certain

minions who fell out of favor was aired in public; moreover, some of these people confronted the Godfather openly (among others, former Environmental Affairs Minister Zoltán Illés, former State Secretary for Climate Change and Energy János Bencsik, or Lajos Simicska, an economic oligarch who had built up the economic hinterland of Fidesz according to mafia logic and who hardly ever appeared as a public figure).

¹⁴ At the beginning of 2015, Gábor G. Fodor, the strategic manager of the Századvég Institute, the think tank of Fidesz, said in an interview for the weekly *Magyar Narancs* (19 February), to everyone's amazement: "Many right-wing intellectuals erroneously think that the slogan 'civic Hungary' is a political reality, whereas in fact it was just a political product by nature. They still think that Hungary between 1998 and 2002 was actually a 'civic Hungary.' This is completely wrong. This is the cause of the resistance and aversion of right-wing intellectuals to the present government... Your questions presuppose that... everything must be official and regulated. I don't think that politics works like that... If I am in power, I must make people want what I want... There is a government that is embedded in an official institutional structure, and there is an invisible court. This is the normal course of politics."

¹⁵ An expression invented by Bálint Magyar to characterize the first term of the Orbán government (1988–2002).

II.

László Békesi

The Economic Policy of the Mafia State

The four-year term of the second Orbán government has ended (Viktor Orbán was prime minister between 1998 and 2002 for the first time, then between 2010 and 2014 for the second time), and following a dominating win in the elections, Orbán's government can again start the command of a new four-year term with a two-thirds majority in parliament. It is about time for a multifaceted analysis and evaluation of how the Orbán regime operated, what it did, and what it achieved over the last four years.*

Among objective analysts, a broad consensus has emerged: both prior to its sweeping electoral victory and during its governance, the Orbán government had no comprehensive, coherent economic policy program. This summary assessment has not only been well-founded for some time, but also appeared satisfactory. The government's ad hoc economic decisions, unacceptable quality of economic legislation, damaging, frequently irrational steps, and contradictory, often deceitful communication all confirmed this view.

The Orbán regime has gone against everything that the profession considers to be the conditions and elements of a realistic government economic policy. It has not shown the slightest concern for the country's economic circumstances, changes in the world economy, economic divisions of

* This analysis on the economic policy of the second Orbán government was written in the summer of 2014.

labor, and domestic and international requirements for collaboration, legal security, stability and predictability, the need to harmonize fiscal-monetary and wage policies, the interests of economic actors, the societal impacts of its decisions, or their future consequences.

They have explained their rejection of mainstream economics and economic policy with peculiar, largely meaningless or false epithets, or with primitive, demagogic slogans. Using a pretext that their often unusual or new types of methods are for managing the worldwide subprime crisis, they have also cast aside the most fundamental economic principles, claiming with brazen provocation and arrogant conceit that these absurdly unorthodox methods are an “intellectual innovation and a creative, modern approach.”

They have proclaimed these economic measures, in every sense populist and self-willed, to be the courageous representation of a patriotic economic policy close to the spirit of the Hungarian nation, and a defense of national interests and sovereignty, as well as families and the Hungarian people.

Analysts researching the motives of the economic policy activities of the Orbán regime have for a long time held a basic tenet as an obvious and satisfactory explanation for this, namely that the acquisition and retention of power is an absolute priority for the Orbán government, and at the same time its ultimate end. This subordinates everything and everyone else, using economic policy, among other things, also as a means to this end.

It seems obvious that publicizing and implementing a realistic and coherent economic policy would hinder, or at least slow down, the ability of the regime's intent to monopolize power. (An economic policy that realistically accounts for a country's circumstances and economic requirements can never count on overwhelming support or undivided popularity.)

The majority opinion outlined above appeared to be an adequate explanation, until Bálint Magyar introduced the concept of the postcommunist mafia state with his thorough sociological, social-psychological, and political analysis, and described the objectives and essence of its operation.

This new interpretive and conceptual framework makes it necessary and at the same time possible that from a different approach—meaning not simply on the basis of statistical data analysis—we examine the Orbán government's economic policy activities and their consequences over the past four years.

Through this new analytical approach, we can conclude that the economic decisions of the Orbán government that appear ad hoc and impro-

vised actually serve very conscious purposes through unscrupulous means: the rapid growth of the income and wealth of those belonging to the mafia family, the expansion of its clientele and vassals, and the outfitting of its allies. This is how a political enterprise becomes an economic enterprise, and the government's economic policy becomes the business affairs of a mafia family.

In the following passages I will attempt to demonstrate the most important elements of this process, its methods of manipulating reality, as well as the "alibi scheme" for masking true objectives.

I. The Elimination of Internal and External Control Mechanisms of Economic Policy

In order that the asset system of economic policy can be set up to serve the objectives of the regime without any restrictions or obstructions, it needs to be released from all internal and external checks, within the limits it allows, that suppress, curb, or block its freedom of decision and action.

The Orbán government initially took control of or transformed internal supervisory institutions by curtailing their powers, modifying regulations that allowed them to apply procedures or sanctions, placing loyal vassals instead of experts in the leadership positions of these institutions, and abolishing their independence.

All of this was done by modifying the legal environment and under the banner of modernizing these institutions, that is, by maintaining the appearance of the rule of law.

As a first step—while at the same time replacing the constitution with the Fundamental Law—they restricted the jurisdiction of the Constitutional Court, which can no longer rule on legislation concerning economic or budgetary matters, nor annul them, nor instruct parliament on the creation of new legislation.

This was followed by the elimination of the Fiscal Council, a truly independent body created in 2008 and composed of experts, to be replaced with a new institution, made up of its own nonexpert vassals.

The head of the State Audit Office was also replaced with a party loyalist who does not oversee the government, but rather serves it.

They transformed and took control of the main institution for tax administration and customs inspection—NAV—according to their interests.

The Competition Authority was not left untouched either, and today is no longer the guardian of regulations for a level playing field, but is one of the main pillars of the protectionist economic policy.

Last was the Hungarian National Bank (MNB), and the takeover and annexation of the monetary authority degraded this previously truly independent, highly regarded institution into a servant of the government's dead-end economic policy.

However, a domestic environment lacking control or limits has still not made the unimpeded exploitation of resources possible. International rules, conventions, and treaties have yet curbed the Orbán government's rampages and unchecked decisions.

In the interest of reducing and eliminating external monitoring, Orbán announced a national war of independence against the "colonizing" supranational institutions that interfere in Hungary's domestic affairs and judge its decisions, primarily the International Monetary Fund (IMF) and the Commission of the European Union.

Under the pretext of defending national interests, this war of independence moves forward in the interest of restoring Hungary's economic sovereignty, reducing its dependence on others, and regaining its "right of self-determination." The government and Viktor Orbán personally wages this battle with the conspicuous partial support of manipulated public opinion, accompanied by those who sympathize with it.

This way the regime is able to kill two birds with one stone: it gradually frees itself from effective international economic checks on its power, while at the same time it increases its popularity and voter base, since its patriotic rebellious stance in international fora makes its believers' hearts flutter.

Ending the IMF agreement early—swapping an emergency loan with cheap and favorable terms for a more expensive, money market-based one—saves the government from having its economic policy monitored quarterly, and from international criticism of its faulty economic decisions and omissions.

The EU has been a tougher nut, as the community keeps watch over the maintenance of the rules, principles, and values underpinning integration, and may apply sanctions on recalcitrant member states for persistent infractions.

The previous four years between 2010 and 2014 have proven that Orbán, with one exception, is able to avoid EU sanctions: with a nauseating "peacock dance," he has successfully managed to escape EU action resulting

from criticism of elements of the democratic deficit through making smaller, mostly formal, corrective measures. The only area where the government feared sanctions, and which forced it to backtrack, was the prospect of having aid withdrawn due to the continuation of the excessive deficit procedure. This proved that the only thing Orbán is afraid of is the reduction or loss of the exorbitant financial support from the EU. In plain English, it is only through economic coercion that we are able to bring him to his senses. What is vital for him and his clientele—and absolutely essential for the country—is being able to access the EU funds, which means avoiding the effects of the excessive deficit procedure and its threat of sanctions, thus doing whatever it takes to force the government deficit under 3% of GDP.

To do this, the government looted HUF 3 trillion of private pension fund savings and reduced the country's potential economic growth to near zero.

Although at first sight the connection appears merely indirect, we can also list here the prolonging of the introduction of the euro into an indefinite length of time, or, more precisely, delaying the composition of a required and coherent economic policy program that would create the conditions for its introduction. (Such a program would entail, in addition to truly unavoidable technical debates, specific supervision of the government's economic policy by professionals.)

By now, institutional international checks over Hungarian economic policy have essentially ceased. Increasingly, apart from international markets for money, goods, and services, and the large credit-rating agencies, Hungarian economic policy has no objective measure or assessor. It is true that they have relentlessly submitted a bill for every harmful “unorthodox” solution. (See, for example, the sharp decline in market investments and working capital investments, or the deterioration of the exchange rate of the forint, which has suffered due to risky interest rate cuts.) The only problem is that the Orbán government will not actually pay the price for these, but rather the Hungarian people, families, and businesses will.

With the elimination of internal and external checks, the Orbán government in essence can freely decide on the reallocation of public and private assets and markets, the withdrawal and redistribution of collected revenues, state subsidies, tenders, concessions, and the economic rules of the game. They can expand their holdings, increase their clientele, put their competitors into a disadvantageous position, and consolidate their political and economic power.

II. Alibi Schemes Justifying the Government's "Economic Policy"

While they do not have a comprehensive economic policy strategy or a coherent economic program to build upon, the Orbán government often justifies its economic decisions as strategies to realize a declared objective or scheme. These are alibis that conceal their true intentions.

Through diabolical—considered as clever by many—manipulation, every scheme and objective they beat the drum for contains an element of rationality that gives the entire program an appearance of credibility.

In the following passages I will attempt to bundle these elements together.

1. Hungary Needs to Become a Production Hub

This slogan can even represent a modernization strategy. The world's developed countries, particularly the countries forming the core of the EU, have promoted reindustrialization programs to enhance their competitive and growth capabilities. Their goal is to modernize their industries within a twenty-first-century, postindustrial environment in accordance with global economic conditions. The goal of this strategy is the priority development of high-tech industries built upon the research and development, new technologies, education, and advanced tertiary sectors—a wide range of services.

What is not part of this strategy is wooing back "outsourcing" industries, activities, and businesses that rely on cheap raw materials and labor, and have been mostly present in developing countries over the past few decades. Simply put, we could even say that the goal of this new industrialization is not to boost the competitiveness of mass production through minimizing costs, but rather to increase the production of high added-value products and services.

As a result, developed countries would not think of setting production and services against each other. On the contrary, they build their development strategies on a harmonious dynamism between these two large sectors.

What does the Orbán government say and do? They proclaim that only industrial, construction, and agricultural production create new value,

while the service sector is only involved in the reallocation of generated income, and is even a parasite on the productive sector! Poor Marx must be turning in his grave: even his materialist theory of surplus value did not dare go this far. The Orbánite motto in essence: Let's go back to the second half of the nineteenth and first half of the twentieth century!

What is the situation today in Hungary? Tertiary sectors produce 70% of economic performance output. Industry makes up 22%, while construction and agriculture each make up 5% and 3%, respectively. Looking at the proportional shares of each profession is even more revealing: close to 80% of the total workforce is employed in the tertiary sector.

Another way of viewing it: high-tech industrial development would not exist without a developed service sector. Mercedes-Benz would not have built a factory in Kecskemét, nor Audi in Győr, if the region did not have modern infrastructure, a developed logistical background (transportation, delivery, communication), a well-functioning banking system, trade and education, and if the cities were not able to provide a workforce that could be trained, as well as a livable, civilized environment. Which is to say that developed infrastructure and a service-oriented background is not an obstruction, but rather a condition of modernization.

So why this artificial dichotomy between production and services?

With this "ideology," the Orbán government is able to base its sacking and looting of banks and public utility (mostly multinational) companies. This lets it cover the costs of its perverse income-redistributing tax and social policies, make up for squandered public revenue, and force down the budget deficit. Moreover, it also achieves short-term political gains, meaning votes, as it views the system of sector-specific taxes as a means for its popular antibanking, antimultinational, anticapital, utility price cutting policies, as well as a self-willed fixing of regulated prices that are separated from their costs. (It is no coincidence that in its country-specific report in May, the EU criticized, among other things, the two main pillars of "unorthodox" Hungarian economic policy: the sector-specific taxes and the strong-armed, artificial utility price cuts, and proposed modifications to them.)

This is a harmful, self-destructive economic policy. The strong-armed freezing of the operation of the banking system, and paralyzing development in IT, energy, and other public utility services have essentially made potential growth in the Hungarian economy zero, while also endangering supplies and setting the stage for future price increases.

A government tactic which makes the auto factories and their suppliers who settled here happily, yet plunders its banks, telecommunication companies, and public utilities cannot possibly be successful.

2. We Made the Hungarian Economy Provide for Itself, and Its Dependence and Vulnerability Have Been Reduced

These are the results of the economic war of independence, proclaims the Orbán government. Really? The Hungarian economy can provide for itself and is capable of developing from its own efforts?

The Hungarian economy's internal market is small, 10 million residents, and struggles with a lack of capital and a scarcity of natural resources, lags behind others technically and technologically, and has little to show in innovation or the results of its own research—a typical open economy.

It is connected to the world in a multitude of ways, primarily to the EU economy, and obtains its missing resources from the world market while selling a large part of its performance output on the world market. Over the past four years, 90% of its investments in industry and infrastructure have been financed by foreign capital investment and EU funds.

Sixty percent of liquid assets necessary for the operation of the economy derive from international loans. (Foreign currency loans make up 60% of the residential and public loan portfolio and 70% of business debt.) Seventy percent of GDP is realized from foreign trade, and from this multinational companies represent an 80% share, in that 80% of products required for their production likewise come from imports. Imports account for 70% of the raw materials and energy supply in the Hungarian economy, and 80% of its mechanical investments. (The planned expansion of the Paks nuclear power plant would increase these proportions by several orders of magnitude.) Two-thirds of the population's total consumption similarly comes from imported products.

So what does providing for oneself really mean? Perhaps it means that we have “tossed out” the IMF—a phrase used by former economic minister, now MNB head György Matolcsy—and we now finance our maturing debt from the financial markets at an average 3% higher rate? Could it mean that, having evaded the EU's excessive deficit procedure we can freely ransack government revenues and expenditures while we hold out our hands for the EU funds that feed our economy? (Just give us the money,

but you do not get a say in how we spend it, says the Orbán government to the EU.)

Is the government by chance thinking that, moving gradually further from the EU, it will possibly be able to make up for lost resources and markets in the East? Is this what it intends with its feverish and mostly humiliating efforts to strengthen relations with Russia, China, and authoritarian Central Asian and Arab regimes? Beyond the fact that this belongs to the realm of nightmares, does not this mean dependence on economic relations with the East?

This is a transparent, primitive scheme. Its only role is to hold together and strengthen the voter base that accepts its national, populist slogans.

3. Monetary Policy Supports the Government's Economic Policy

We guarantee the independence of the MNB, but the government and the central bank work “hand in hand” to implement the country’s economic policy—claims the Orbán government. Specifically, the main responsibility of the MNB today is to promote and encourage economic growth in addition to maintaining price stability. In the current deflationary environment this means an ultra-loose monetary policy, the focus of which is an artificial growth dynamic. The use of “unorthodox” methods has also become dominant in the MNB.

This monetary easing prevails on two fronts: the monotonic reduction of the central bank’s base rate, and the provision of cheap funds for commercial banks through the funding for growth scheme.

Well, yes, but the world’s large central banks do the same, argues the MNB’s new, government-dependent Monetary Council. Of course, they do. However, the Fed, which functions as America’s central bank, began a gradual reduction of its quantitative easing (QE3) program at the end of 2013, and the monetary policies of the Japanese, British, and Canadian central banks and the European Central Bank (ECB) are not threatened by a crisis of confidence or a payment crisis facing its member states, while the central banks of economically exposed developing countries similar to our own (Turkey, India, South Africa) have carried out monetary-tightening policies and interest rate increases to halt a drastic collapse in their exchange rates.

Our own central bank has not set a goal for its exchange rate and does not seem to care that the euro is at HUF 310, and stubbornly keeps cutting the base rate (at the end of July 2014, it was at 2.1%), whatever it costs

to household and business debtors, the foreign currency-indebted government, or economic actors who purchase imported goods. In addition, a weak exchange rate and the greater (for the moment latent) inflationary pressure that follows it do not promote growth, despite propaganda to the contrary. In fact, due to its high import content it does not promote net exports either, but rather harms the competitiveness of domestic economic actors.

Why is it doing this? In order to offset the government's economic policy that is crippling growth, so as not to criticize the government's pretense of economic results and call attention to the growing risks.

What are the risks with this? Financial stability, an explosive exchange rate collapse, an increase in yields, higher costs of financing, and inflation again accelerating.

Examining the operational methods of the mafia state, I cannot help wondering about a question that I suspect but cannot prove at present without concrete data, namely: who has an interest in a collapse of the forint exchange rate? Who and what type of economic actors and interest groups stand to profit from the intermittent yet tendentious reduction of the exchange rate? Is it only international investors speculating against the forint? Could it be domestic actors with inside information belonging to the family, those who are able to short the forint "risk free" and reap the benefits of an exchange rate collapse? Moreover, can it be expected that a "domesticated" central bank, which now also operates the financial supervisory, will uncover and penalize such "criminal speculators" as the former PSZÁF (Hungarian Financial Supervisory Authority) once did with fervent speed against George Soros's speculation against OTP Bank?!

4. Enforcing a Double Protection in Economic Policy in Order to Strengthen National Capital and the Entrepreneurial Layer

The domestic entrepreneurial layer must be strengthened, above all small and middle-sized enterprises, strategic sectors and companies must be put into state ownership, there must be a share of at least 50% ownership in the Hungarian banking system, Hungarian agricultural land needs to be protected—these are all slogans we hear day by day from the Orbán regime. All of this is publicized while wrapped in the guise of a national interest that is strongly antiglobalization and anti-integration in its essence.

But what is happening in reality?

The government is restricting market competition in many areas, including public procurements, public tenders, and orders. The first stage is national protectionism: shutting out foreign competitors or limiting their chances. (See, for example, agricultural land purchases, infrastructural construction projects, the regulation of shopping mall construction, etc.) This includes the pillaging of foreign-owned companies, such as banks and public utilities, reducing their profitability and currency exchange rates, and creating the opportunity, possibly through force, to buy them up. In a technical sense, the transitional, so-called “transit nationalization” also serves this purpose as an intermediate step—for example, first nationalizing the savings cooperatives, then privatizing them.

The second stage is choosing Hungarian stakeholders, entrepreneurs, and owners for planned protection. Here their true motives are strongly revealed: an intention to build their clientele, strengthening and expanding their economic and power base, and ensuring that the family and its vassals get rich. These include the redistribution of markets and holdings, as well as the apportioning of public tenders and subsidies. (Specifically, the list so far ranges from investment orders to the redistribution of the tobacco, gambling and school textbook markets, as well as land leases, and to the nationalization and privatization of the savings cooperatives.)

They back these criminally protectionist measures with legislation, procedural and judicial regulations, and fraudulent justifications. The entire mechanism is a hotbed of corruption and nepotism, and the most visible evidence of the purpose and operation of the mafia state.

5. Strengthening the Middle Class, Supporting Families

This pleasant-sounding catchphrase covers a transparent objective: building up its own clientele and increasing the incomes of the leading members of the regime and of their loyal vassals. Numerous measures have served to accomplish this.

The first level is income reallocation for the benefit of the population, at the expense of businesses and invested capital. This is a highly antieconomic and at the same time radically populist step. Funds for the 16% flat income tax and the family tax breaks were generated partially from private pension fund payments, and partially from the sector-specific taxes.

The second level is reallocating income among certain groups in the population. This is the so-called “perverse income distribution” that benefits the

higher-income-earning bracket while punishing income earners who are below the average. The introduction of tax breaks for childcare through the family financial supplement also had a similar effect, which sharply raised net income for high-income-earning taxpayers with large families, while the low-income-earning majority that pays less in taxes was shut out of these tax benefits.

Burdens on wealthy families were eased by a change in the rules on inheritance and gift taxes and with a reduction in their rates.

Measures allowing for the possibility to pay off foreign currency loans at the expense of banks provided extra income, and actually real wealth in many cases, to debtors who have considerable income and savings, while the government did nothing to improve the situation of truly needy and vulnerable debtors.

There is no rational argument that would make these provocative income-raising steps acceptable. However, based on the natural history of the functioning of the mafia state, the measures listed above become quite clear.

III. Consequences of the Mafia State's Economic Policy

The Orbán regime's four years of activity have left a huge mark on the Hungarian economy and society alike. In the following passages, I will attempt to summarize the most important impacts on the economy.

1. Permanently Trailing Behind the EU and the Region Economically

The Hungarian economy is only capable of catching up to other countries if its capacity for long-term balanced growth exceeds the EU average. This means that if the EU expands at a dynamic of around 2% annually, the Hungarian economy would need to achieve a minimum of 3% growth per year.

Not a single indicator supports a sustainable rate of growth to this degree. The potential annual growth rate of the Hungarian economy is around 1%, meaning that as a result of the blessed activities of the Orbán government, it fell by approximately 2% annually. Over the past four years, the GDP has increased by a total of 1%, and in 2013 "achieved" the same level as in 2005. During these years, all of the neighboring countries ran circles around us.

For the economy to grow, investments, employment, and productivity—that is, competitiveness—all need to grow as well.

The employment rate, after deducting the number of public employees and those working abroad, is 57%, i.e., stagnant for four years. To be able to compensate for lower incomes and expenditures resulting from the increasing impact of demographic losses, growth of at least 10% would be necessary. (This is, incidentally, the EU average.) However, there is no chance of this in the next few years, since new jobs can hardly be created in the private sector, given the lack of investment.

In 2013, the investment rate was 17% of GDP, which does not even compensate for the depreciation of fixed assets currently in use. (This would require a minimum rate of 20%.) Long-term growth requires an investment rate exceeding 20%, which at the moment is an illusion due to an absence of investment decisions over the past four years.

The persistently high redistribution rate also hinders the economy's capacity to invest and self-finance. During Orbán's term in office, with minor fluctuations the state took 50% of income generated from residents and businesses in the form of taxes and levies, so that it could allocate it again by financing government expenditures. This income withdrawal is the broken, dysfunctional "new tax system," namely the result of numerous new taxes to make up for lost revenue from the redistribution of income.

With such a large withdrawal of income, neither residents nor businesses have enough net income left over for investments, savings, or consumption.

Therefore, instead of raising taxes, the 50% redistribution rate would need to be reduced with the assistance of delayed reforms to large distribution systems, and with a reduction in public spending, to free up resources that promote growth.

Among growth indicators, productivity and competitiveness also deteriorated over the last four years. Hungary is moving further and further down on the competitiveness index rankings, thus there is no chance that it can take advantage of the gradually improving international environment or latch onto the slowly improving economic climate.

2. The Negative Multiplier Effect Impedes Development of the Hungarian Economy

The ripple effect of the low investment rate and a lack of investments in replacements and expansion will take the Hungarian economy into a negative spiral. A decline in investment is accompanied by fewer orders

and smaller yields, resulting in fewer jobs and lower wages, thus reducing consumption, which slows demand, which again has a negative impact on investments. A vicious circle, which economics calls a “negative multiplier,” then forms. This is where we are today.

3. The Mafia State’s Economic Policy Depletes and Undermines Future Prospects

In order to reach its present-day, short-term goals and stabilize and prolong its power, the Orbán government is putting an enormous burden on the shoulders of future generations: it is reducing present burdens in such a way that they will need to be compensated for in the future. A stagnant economy, or one with a low potential for growth, is not able to handle the cost of its debt. Public debt is frozen, its financing is expensive because of high risk, and the high costs of financing from the markets will be borne by future generations.

With employment low, there is no chance to offset the effects of negative demographic changes. An active age group that is getting increasingly smaller will in the future need to support an inactive age group that is getting increasingly larger.

The seizing of the private pension funds increases the burdens on future pensions, while at the same time reducing a stimulus for and guarantees of pension savings to zero. The present system will become unfinanceable within twenty years.

The self-willed official price regulation (cf. utility price cuts) destroys the profitability of public utilities and reduces their maintenance and investment activities, which is to say that the debt to be charged to future generations accumulates. At the same time, price regulation that is separated from costs gradually increases the cost of future price increases.

The retrograde educational reforms—public education, vocational training, higher education—ruin the employment chances of young people leaving school and their competitiveness on the labor market. Rising emigration due to deteriorating domestic conditions undermines the foundations for future economic development.

Due to the low investment rate, neglected maintenance and reconstruction work increase future obligations for replacement activities together with their cost, while the cost of unnecessary and prestige investments that carry over into the new governing cycle, such as stadium con-

structions, a new museum quarter, city centers, etc., are charged to future investment resources.

4. Due to the “Perverse Income Distribution,” Segments of a Society Rendered in Two Are Becoming More and More Populated with Those in a Desperate Situation, Living on a Destitute Level

The adverse effects of a faulty, dead-end economic policy are dramatically apparent in the vulnerable layers of society. Mandatory public work that preserves poverty instead of work that provides a regular income, a workforce that is uncompetitive and worthless on the job market instead of training and continuing education, hopeless marginalization instead of the chance for advancement, and starvation will regularly occur for an ever-larger section of the population.

The ultra-conservative, so-called performance-based social policy and income distribution do not reduce, but increase the gap in societal opportunities, and do not consolidate, but separate and exclude. The socioeconomic consequences are incalculable. What is certain is that this mixture of growing tension, despair, and hopelessness threatens to explode.

IV. Manipulation and Falsification of Economic Results—Beating Illusory Results into Our Heads

One of the fundamental characteristics of the operation of the mafia state is the manipulation and deception of the masses. One area where this is evident is the economy.

Politics has never been a stranger to touching up statistical data that show real processes, or to its arbitrary selection and presentation. But the brutal falsification that the Orbán government commits on a daily basis with its manipulation of economic results is unprecedented and has been unknown in Hungary over the past twenty years. And it is still undeniable even if we are able to detect modest elements of the truth in the majority of these showcase indicators. Yet, revealing the truth is more difficult, since even false communication can appear credible.

Propaganda claiming success thunders away in the essentially monopolized media, one victorious report follows another; we can hardly believe it all.

The well-intentioned citizen can easily get the mistaken notion that he lives in a country whose economy is steadily improving and where there is a great outlook ahead, and a bright future is only a matter of time and patience. We will soon be the production center and economic engine of Europe, where full employment is being achieved, standards of living are rising, and the country is growing at an accelerating pace. We will be a flowering oasis, or rather a solid bridgehead between the declining West and expansive East, and the world will learn from us. All this, of course, is thanks to the unprecedentedly successful economic policy of the Orbán government, which clears away all obstacles, defends us from every attack, cares for people and families, and uncovers every domestic and international intrigue.

At best, it could be confusing that everyday experience does not justify this idyllic picture, but rather the opposite, revealing hopelessness and despair.

Older generations have heard such self-glorifying propaganda and dizzying visions of a heavenly future before: Rákosi, Khrushchev, Mao, or, more recently, the dear leader of North Korea have told such lies to their people and the world. It is true though that such bluster has come to an ignominious end every time...

So what is the sobering, dismal reality?

1. Changes in Economic Performance

In 2013, the Hungarian economy took a turn toward growth, and the economy is on a path for balanced, long-term growth of a sustainable and healthy nature, as we hear from official assessments. This is proven by GDP growth of 1.1% last year, in 2013, including 2.7% growth during the fourth quarter, and will exceed 2% this year and the next, thus soon making us the fastest-growing, leading economy in Europe.

Indeed, the economic recession in real terms ended in 2013 when the Hungarian economy entered the recovery period that inevitably follows a crisis.¹

This means that a 1.7% GDP drop in 2012 was followed by economic growth in 2013. Compared to this low base, we can regard it as inevitable, since the businesses that stayed afloat during the crisis, expecting a slow upturn, began stocking their cleaned out warehouses and scheduling postponed maintenance and reconstruction activities. This provides an annual growth of roughly 1%.

If we look at the structure of this output, we can find three pronounced changes:

- After the tragically poor agricultural year of 2012 the weather was favorable to agriculture last year, and so output from this sector increased, covering more than half of last year's growth. Let us give thanks to the Good Lord and pray for more life-giving rain and nurturing sunshine! The government had nothing to do with it!
- The large auto manufacturing capacities in Kecskemét (Mercedes-Benz) and Győr (Audi) began to bear fruit last year. These investments were launched in the previous cycle and the Orbán government only cut the ribbon to inaugurate them. Over the past four years no investment projects of such importance have been launched in Hungary, so no similar "jolt" that would promote growth can be expected in the future.
- The Orbán government made a huge last-minute push in 2013 to extract and make use of as much financial aid as possible from the closing budget of the EU. This campaign boosted infrastructural investments and renovations, and temporarily breathed life into the moribund construction industry. (This includes truly unprecedented wasteful dumping, which the Orbán government carried out with its demented stadium construction works, completely unnecessary prestige investment projects. (See the crazy reconstruction of Kossuth Square in Budapest, and the ostentatious "embellishment" of numerous town centers, from the decorative tiles to the fountains.) Although the effect of this is still being felt in this year, it will not be repeated in 2015 or later. And in fact, we cannot even expect a substantial increase in housing construction, which has fallen to historical lows.

Following last year's momentum, slow growth in the EU and the strong-armed utility price cuts, rising real wages due to low inflation may lead to a slight expansion in household consumption this year, which may be the basis for growth of over 2% in 2014.

However, growth indicators, as I have already mentioned previously, are weak, and reserves are exhausted, so another slump can be expected starting in 2015.

Meanwhile, our regional competitors may grow at a rate much higher than the 2% increase expected in the EU. That is, we can expect to continue

falling behind others instead of catching up to them, and remain laggards instead of being the vanguard.

2. Hungary Is Once Again an Attractive Investment Location and Foreign Investments Are Growing Again

Our reference point is the growth in foreign direct investment and the FDI portfolio in 2013 compared to the previous year.

This indicator charitably obscures the fact that 70% of foreign investments come from the capitalization of subsidiary banks operating in Hungary by their parent banks, which was necessary to ensure their operability. The much-maligned and slandered parent banks increased the capital stock of their subsidiaries to compensate for the losses they incurred due to the brutal tributes paid to the government. Not a single cent of this amount went to investments or new capacities. And the volume of effective remaining investments is smaller than at any time before 2010.

The much ballyhooed “Eastern opening” policy has not produced any tangible results for the moment. There has been no sign of Chinese, Russian, or Central Asian investments. But of course Paks—the loan agreement to expand Hungary’s nuclear power plant—is coming, which will override everything else. If it really is going to be this way, may God have mercy on us!

3. Hungarian Public Debt Is Decreasing

In 2010, the gross national debt was 80.4% of GDP. On 31 December 2013, it was 79%, while on 31 January 2014, it was 80.7%. In the meantime, the Orbán government “burned up” HUF 3 trillion of private pension fund wealth without so much as reducing the debt by a single cent.

This improvement on the effective date is a presentation trick: the state repaid public debt from its liquid funds before maturity so that the year-end indicators would look positive, then in the following January immediately compensated for it from the financial markets.

Because of the weak potential for growth and the deteriorating exchange rate of the forint, the government, apart from short-term fluctuations, is unable to put public debt on a steady downward path. Due to accumulated obligations, and especially because of the Paks loan agreement, the gross national debt will soon rise above 90%!

4. The Position of the Hungarian Economy Is in a State of Balance: the Budget Deficit Is Solidly under 3%, and the Current Account Balance Shows a Significant Surplus

This is true. The question is, at what price and whether it is sustainable.

The cost of lowering the budget deficit is a reduced potential for growth because of tax increases and a succession of mandatory austerity measures that endanger the ability of the service system to function. Lacking sustained, robust economic growth and substantive reforms in spending, the present position can only be maintained with new tax increases or the regular use of the lawnmower.

The surplus in the current account balance does actually reduce the exposure of the Hungarian economy and improve its self-financing capability. This is based on a growing positive balance of exports, financial support from the EU, and declining imports.

Improving economic activity in the European Union can continue to pull up exports, as incoming EU funds can improve the balance of payments.

Changes in imports depend on economic growth. The record low level of investments and decreasing, eventually stagnating household consumption level has kept imports at low levels, thus possibly improving the foreign trade balance and balance of payments. However, if the Hungarian economy were to begin experiencing sustained and robust growth, investments and household consumption would increase and imports would sharply rise. Because of the high import needs of the Hungarian economy, the dynamic of imports always exceeds the rate of export growth in an economic cycle, thus worsening the trade balance and balance of payments.

A peculiar trap characterizes the Hungarian economy, in that it can either choose between a favorable balance of payments position but weak growth or stagnation, or a worsening balance of payments together with improving growth.

In other words, based on structural reforms and new investments, and alongside growth that is export and investment driven and supported by savings, can a macroeconomic balance be maintained? Without this, we can only expect to be indebted. Both of these components are missing from the Hungarian economy today.

5. Inflation in Hungary Is at a Record Low

This is correct. The following factors created this fine result:

- Low economic growth and consumption, limited demand, and strong international competition have slowed price increases.
- The self-willed utility price cuts have forced down the price of public utilities.

Among the elements of the first factor, strong competition has a long-term anti-inflation effect. Following an increase in growth and consumption, rising demand will increase inflationary pressure. The situation is also similar regarding the impact of a long-term weak forint exchange rate on import prices.

The artificial utility price cuts are not sustainable. Due to prices being separated from their costs, latent pressure to increase prices will grow, eventually forcing its way out, or the security of the supply will deteriorate.

Changes in the so-called core inflation show the long-term trend. It is currently fluctuating between 2.5 and 3%. Therefore, the positive nominal inflation indicators are partially artificial and partially transitory.

6. Employment in Hungary Is Improving

The news is full of inspiring news and data: the number of employees has passed 4 million, never have so many been employed in our country, unemployment has solidly declined to under 10% (which is less than 400,000 people out of work), growth in the private sector has also started, and the job protection and funding for growth schemes are having a positive impact on employment.

It almost makes us want to break out into applause. It is just that there is one wicked thing about this: the devil lurking in the details quickly snatches away our good mood.

Behind the improving absolute numbers, two statistical elements are concealed: an increase in the number of public workers, now at more than 200,000, and the number of Hungarians registered as working abroad both enhance the employment statistic. Without them, the employment rate would still be the tragically low 57%.

These two factors correct the absolute numbers and greatly distort the real situation. Public work does not bring in revenue. On the contrary,

it diminishes it, with the budget bearing the cost. Those working abroad raise the output of their host country, and they also spend their income there. (Except for those who send money home for savings or financial support.)

The growing numbers of private sector workers—a few thousand people—are within the margin of error, and are negligible. Even with minimal investment, new jobs still will not be created en masse, and a fair number of jobs will continue to be eliminated after corporate bankruptcies and liquidations.

We really do not have anything to brag about.

V. Conclusions

What overall conclusions can we draw from the preceding analysis?

The peculiar economic policy of the Orbán regime's mafia state is in full effect, and has thus far reached its intended destination. The "Family" and its clientele are growing their numbers, both in terms of their property and income situations.

For the attainment of its own selfish goals the Orbán government is effectively using its essentially unlimited power. So far, no one or nothing has been capable of preventing or restraining this strong-armed redistribution of assets, markets, and income. In addition, the regime's domestic popularity has not decreased either.

The Orbán system has been helped by not a negligible bit of luck. An international abundance of liquidity, improved economic circumstances in Europe, weak EU monitoring as well as internal tensions in the EU have all played into the Orbán government's hands, and so they have thus far managed to avert a serious economic crisis. (At the same time, it is also true that the EU's most recent country-specific report ascribes the majority of positive Hungarian economic results and processes as the effects of one-time or transitory factors, and therefore deems them to be unsustainable. It proposes seven specific economic policy recommendations to support sound and sustainable economic growth, suggesting a complete turnaround away from the "unorthodoxy" of the past four years.)

The regime successfully manipulates the majority of society. It intoxicates its adherents with the blaring propaganda of success through its monopolization of the media, filling those who trust in it with hope that their lot will turn for the better. Well-founded criticism rolls right off them

and does not reach the threshold stimulus of the misguided majority. They shamelessly play with emotions to motivate the masses, utilizing symbolic politicking to mask the bitter reality.

Quite clever, as Budapesters might say to this.

I do not deny that I can offer to bore the dear reader with, at worst, a few clichés that seem out of place. Trees do not grow forever, and the moment of truth for the economy will certainly come. We certainly know that regimes built on massive lies and the exploitation of resources can not be consolidated in the long term. It is undeniable that the essentially unlimited possession and unscrupulous use of the means of exercising power, and the unbridled, aggressive assertion of “strength” may have temporarily stabilized the regime. The financial vulnerability and spreading fear in the majority of society breeds acquiescence in some and forced adaptation in others. Economic players adjust their short-term interests in accordance with the regime, and institutional leaders serve it. The majority of the intelligentsia remains silent or exercises self-censorship. Vulnerable groups of society in a desperate situation are powerless, and are unable to organize resistance. The opposition is powerless, without ideas, and unable to offer a credible alternative to the Orbán government. Hungarian society has a long tradition of coping with authoritarian regimes, and is able to “duck down and ride out” a lack of freedom and democracy for a long time. The manipulation of the masses is carried out by the essentially monopolized media. If a further serious economic crisis—of which there are no signs of at the moment—does not occur in the world economy or in the EU, the Hungarian economy can continue to function with its modest growth.

Yet, the lies will be brought to light, and the goods feeding the clientele will eventually run out. Satisfying these never-ending demands can only be achieved through more redistribution, meaning that income, property, and markets have to be taken from their owners and given to others. This will gradually lead to conflicts of interest, and as they accumulate, to the collapse of the regime. This is the only good news.

Alan Greenspan, the chairman of the Federal Reserve between 1990 and 2006, writes that rationality eventually prevails in the economy, overriding stupidity and petty-minded selfishness as well as political voluntarism.²

This would be a hopeful final statement, but when? After all, we learned from Keynes that in the long run we are all dead.

All in all, we can be certain about one thing: for a radical change in Hungarian economic policy and to lift the country up, the Orbán regime,

above all else, needs to be replaced. Without this, there is no chance for rebuilding, catching up to others, or a brighter and better future. A new, democratic state needs to replace the mafia state. Only this will ensure that economic policy serves the enrichment of the country, not the mafia family. It is the nature of the scorpion after all to fatally sting every living thing it comes into contact with, which is why we cannot expect anything good to come from the old/new people in power.

Following the success at the elections in April, many important questions remain regarding the future of the country. When will the dethroning of the Orbán regime take place, and when will the portion of society still capable of independent thought realize that they are being permanently deceived, that their trust and good faith is being ruthlessly exploited, and at what price will we all have to pay to replace this regime, which has all of the administrative and practically unlimited economic means at its disposal, and will protect its power by tooth and nail? What will be the last straw? Possibly a crisis that will lead to catharsis and prompt the majority of society to take action? Will the Orbán government last until 2018? Will a strong opposition capable of governing finally emerge, one that can capture the support of the majority of society and be able to offer a real alternative to Orbán?

After the second electoral victory that also justifies the ruthless exploitation of resources over the past four years, will the Orbán regime be replaced in a democratic and primarily peaceful manner, or will open revolt, even street fighting, be unavoidable? (Perhaps the Argentinian scenario of 2002 will also unfold for us?!)

I do not know the answers, and it may be the task of many new studies to outline the possible scenarios.

NOTES

¹ See studies by Ferenc Jánosy and András Bródy published in the 1970s and still relevant today, or J. Schumpeter and R. Solow's classic teachings on the nature of economic crises.

² Alan Greenspan, *The Map and the Territory* (New York: Penguin: 2013).

Károly Attila Soós

Tributes Paid through Special Taxes: Populism and the Displacement of “Aliens”

Low Mobility: The Basis of the Tribute System

Around the time of its formation in May 2010, the published program of the second Orbán government emphasized “prioritizing production” as the way to reshape the employment structure of society, and, since 2011, we have heard more and more from Viktor Orbán that Hungary will become the production center of Europe. Initially, it was believed that with an orientation toward production and by grieving for services, Fidesz leaders were for the most part reminiscing in two ways. From one aspect, it recalls memories of Marxist political economic theory that they learned in their youth: the teaching that solely material production labor produces new value. From another aspect, they are allured by memories of the previously dominant industrial-oriented economy. This latter appeal could be observed not only in former communist countries that lost a considerable amount of heavy industry in the “transformational crisis,” but was also experienced in Hong Kong, where, in the last few decades of the British colonial period, the stormy growth in services pushed industry to a marginal role in the economy. Following Hong Kong’s return to China in 1997, Tung Chee-hwa, a businessman who became the executive leader of the government, spoke of the need to reindustrialize Hong Kong. True, his vision never came about: the contribution of industry to the composition of GDP continued to decline, and it is well under 10% today.

Rereading the Orbán government’s 2010 program today, something quickly catches the eye that not only differs from the Hong Kong example, but is directly contrary to it. Namely, export-oriented sectors had created a

part of the Hong Kong economy's service sector (and of course, there on the coast of the South China Sea, they were basically connected to and serving the economy of the PRC) that in Tung's judgment was "overdeveloped" and "should be suppressed": international trade and transport, international finance, international legal and accounting services. In the Orbán government's 2010 program, one type of these services, however, the "European and global service centers," do not appear as among those that should be suppressed, but is in the same place with the "creative industries" as another desirable path for significant employment growth. Therefore, the program, which is otherwise rather unenthusiastic about imports, regards all exporting sectors as worthy of support, whether they be material producing or service providing.

Of course, the program's wording also leaves several service sectors on the other side, those which are not to be supported. For some of them, the word "nontradable" can be considered strictly valid. These include water, power, and gas providers, as well as landline telephones; in these cases, even excluding any other factors, differences in technical regulations between countries make crossing state borders virtually impossible for individual service providers. Cellular telephone providers can likewise be considered as unable to export: until roaming fees go down to zero, nobody will purchase this service from a foreign company. Of course, this list can only be continued with services for which the designation "nontradable" is only more or less valid. For example, it cannot be stated unequivocally whether domestic trade is not foreign trade, since such a thing as "shopping tourism" does exist. And the types of banking and other financial services that previously had been confined within a country's borders, such as providing small loan amounts, have also crossed national boundaries even more extensively. Nevertheless, these areas are only very rarely specifically and to a large extent developed as export sectors (Iceland's adventure in the banking sector was another exception, besides the very particular case of Hong Kong). Since the exporters of such services, owing to their nature, generally face serious disadvantages in export markets compared to their domestic competitors, these disadvantages can only be mitigated at considerable expense, such as in the case of banks that set up branches in their target country, if at all. The literature of tax competition between countries (and within certain countries, between territorial units entitled to levy taxes),¹ differentiates between low-, medium-, and high-mobility taxpayers and taxable items. It follows from the above that the sectors referred to, and more generally

the service sectors that remain on the side that the Orbán government's program does not support, have low mobility. The consequence is that international tax competition in these sectors does not exist, or is very weak. If these sectors are taxed more heavily in one country than in another, it will not result in their migrating their business activities, nor terminating them in a given country, nor even reducing them to a large extent. It can be said that such sectors are in a type of captive situation. The owners of companies in these sectors may leave, although this does not transpire easily, since along with their departure they forgo any further returns on all of the investments they've made previously (sunk costs). The sectors themselves, however, stay here in any case, and cannot relocate to another country. In other words, their tax burdens can be raised without entailing a significant number of layoffs. Naturally, such a tax increase is not without adverse consequences—more will be said about this later. But these consequences appear more through indirect indicators, particularly through a decline in investment, and only affect GDP after a more or less delayed period of time. The opportunity arises, therefore, to extract tribute from these sectors, and the Orbán government actively exploits this opportunity.

Another interpretation of the Orbán government's tax philosophy should be discussed here, which is that this taxation is intended to "squeeze" money out of the oligopolies.² This is not the case. Hungary has an oligopolistic market structure in automobile manufacturing, wholesale trading, and many other areas that do not pay tribute. (And let me add that some of the tribute-paying areas of the economy, such as water supply or sewerage, are not made up of oligopolies, but—local—monopolies.) The basis for extracting tribute is not the weakness, distortion, or particular form of market competition, but the fact that the affected sectors are low mobility: they cannot escape from these taxes. It is true that the tribute is fundamentally—on ideological grounds—directed at large corporations; below, we will come back to this in regards to the purposes of the special tax system.

The Market Economy, Politics and Taxation

Tribute payments and extracting tribute are the issues here, and with this we can refer to the fact that this kind of taxation is essentially unknown in solidified, developed market economies. In most countries, some forms of sales tax differentiated by product and product group are levied for

income redistribution reasons, but the number of tax rates is rarely more than three—indeed, more than that is not even permitted within the EU. In addition, consumption taxes are also generally levied on certain subsectors and products that—with the major exception of fuel—are mostly based on traditions that go back centuries, long before the creation of a modern market economy (public health considerations also often supplement these traditions, such as for tobacco products or alcoholic beverages). Beyond these taxes, however, special taxes are at most levied only very rarely and on a temporary basis, and even then they usually impose a relatively light burden on the relevant sector. Indeed, in countries where the culture of a market economy is deeply ingrained, extracting tribute by sector is considered an illegitimate practice. This is because it is generally not possible to justify why such taxes are imposed on certain sectors and not on others; and why exactly one amount of special taxes is collected from certain sectors, and another amount from others. It would further aggravate doubts that a government intending to introduce such a tax would frequently be unable to convincingly show the incidence of the tax burden: to what extent would the latter be borne by the companies taxed, by their customers, maybe their suppliers or by any other sectors, and this in the short, medium, or long term. Special circumstances provide a basis for levying special taxes on very rare occasions. Such special circumstances were, for example, when the national treasuries of several countries were forced to expend a large amount of money to bail out their banks during the global financial and economic crisis that began in 2007. The US had to expend 5% of its GDP, Germany 13%, and Ireland 40% to avert bank failures.³ Despite the fact that these expenditures prevented even much larger damages, and in this sense they were profitable investments for the treasuries, in those turbulent times they created not only a need for additional state revenue, but also the emotional basis to introduce banking taxes. Governments and international organizations (the European Union and the IMF) generally took the view that it was necessary to impose a special tax on the banks (and other financial institutions) to the extent of the risk that they posed resulting from the crisis (the loss of public funds). This was frequently formulated through an analogy: the financial institutions should pay for the damage they caused (or could potentially cause) in the same way that those who pollute the environment pay. This argument was only economic on a basic level, and more of a political principle; there was not much discussion of deeper technical considerations (e.g., whether the financial institutions

were expected to pass the tax on to others, and what would happen if they did or did not). Of course, regarding tax-related decisions, the dominance of political considerations is not unusual.

Regarding Hungary, the dominance of political considerations regarding the Orbán government's imposition of tribute on certain sectors is even more prevalent, since Hungarian society has not truly learned to respect the norms of a market economy. The popularity of such an economic system in fact has been decreasing as the regime change has progressed,⁴ thus society does not see anything undesirable in taxes based on political considerations. Concerning the banks, the special taxes imposed on them could not be explained by the costs of a bank bailout to the state (as if it were a somewhat economic-based argument), because there was no bank bailout in Hungary. The propaganda machinery mainly focuses on the "riches" of the banks (carefully making sure, in accordance with a general belief, to confuse the bank's own capital with the deposits placed there, while not referring to the fact that nobody would put their money in banks located in wooden huts). Even more, previous large bank profits that were realized back in the early to mid-2000s are frequently mentioned omitting the fact that, not uncommon in a market economy, those profits were basically reinvested to meet the capital needs of the rapidly expanding banking activities at that time, thus the high profitability itself created the conditions for its own elimination. "Naturally," propaganda concerning the special banking taxes never fails to point out the fact that the overwhelming majority of Hungarian banks are foreign owned, which a growing number of Hungarians disapprove of.⁵ In addition, they repeatedly emphasize that competition between the banks prevents them from passing these costs on to their customers. And last but not least, they frequently claim to reject an alternative solution (which truly sounds like the most unappealing out of any of those available): the fact that, as opposed to the previous governments, their political adversaries, they are unwilling to tax people and families instead of the banks.

A Chronology of the Extra Taxes and a Brief Description

Special Taxation before 2010

It should be noted that the sharp contrast of that last claim was not even completely justified, since the previous socialist-liberal governments also supplemented the traditional taxes they collected for state revenue with

some special taxes. The first of these was an energy tax, which Hungary was obliged to introduce by a 2003 EU directive (based on environmental considerations), and was to be paid from 2004. The tax on both natural gas and electricity was nearly one and a half times higher than the minimum set by the directive. The second special tax, called the credit institution contribution, affected banks and other financial companies. The government justified this tax's imposition with the argument that the financial sector had earned a tidy sum from the high domestic interest rate and the government's housing subsidy system (which subsidized the interest on home loans), and some of that should be returned to the budget. A tax on medicine was introduced in 2007: manufacturers or distributors had to pay a 12% tax based on the amount of the state subsidy for medicine sold domestically, and a further HUF 5 million tax annually for every person employed by a pharmaceutical manufacturer whose job is professional consultations with physicians. (This special tax does not contribute revenue to the central budget, but to the social security system's Health Insurance Fund.) Finally, an 8% income tax, commonly called the "Robin Hood tax," was levied on energy producers and traders in 2009.

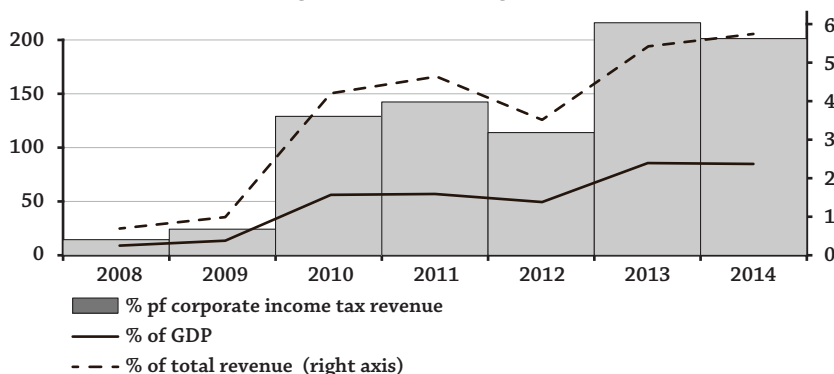
An Explosion of Special Taxes under the Fidesz Government

Prior to the change of government in 2010, the history of the sectoral tributes was peppered with protests by the relevant sectors, and with some of them also appealing to the Constitutional Court.⁶ However, this was just a pale prelude to the explosive growth of tribute extraction under the Fidesz government. The latter claim is clearly observed in Fig. 1: between 2009 and 2014 revenue from the special tax grew from HUF 94 billion to HUF 722 billion, from 0.25 to 2.4% of GDP, and from 1 to 5.7% of the combined total revenue of the central budget and the Health Insurance Fund. With this growth, a new system for taxing companies has emerged: revenue from the special tax in 2009 amounted to only 24% of the corporate income tax (CIT) revenue, which affected every company uniformly (as a proportion of profit), but it grew to more than twice the CIT revenue in 2014 (while at the same time, total corporate tax has decreased from 1.5% of GDP to 1.2%).

The Fidesz government has come up with other important new ideas as well. One of these is introducing ex post facto tribute-extraction laws. For example, when in 2010 the amount of special taxes more than quadrupled

Figure 1

Total special tax revenue in percentage of corporate tax revenue, in percentage of GDP at current prices and in percentage of total central budget and health insurance fund revenue



Note: forecast data for 2014

Sources: Central Statistical Office and National Health Insurance Fund

over the previous year (from HUF 94 billion to 416 billion), the laws pertaining to this were voted on in parliament partially in July and partially in October. The so-called financial transaction tax rate introduced in 2013 (see below) was raised in the course of the year, from the original 2 to 3 per mill for electronic payments, and from 3 to 6 per mill for cash withdrawals, since it turned out that earlier they had calculated incorrectly and the pro rata revenue was less than they had expected. The banks had to pay separately for the missing revenue for the period of time that had already passed. Nothing like this ever occurred under the governments led by the Hungarian Socialist Party (MSZP).

Another innovation, clearly the most unfortunate one, was (essentially) banning the Constitutional Court from all taxation matters. According to a constitutional amendment from autumn 2010, this body can only review tax and other laws governing state finances in limited cases. The restriction is also upheld in the new Fundamental Law that replaced the previous constitution on 1 January 2012.⁷

Finally, an innovation related to the special taxes that is essentially similar is a series of strategic cooperation agreements that the government has entered into with major foreign investors. These agreements are simple expressions of mutual good will and do not impose any specific obligation on either party. From the government's point of view, they have two real benefits. One is that they provide encouragement to investors similar

to them engaged, and to potential investors considering engagement, in activities that are high or at least medium mobility, to expand their activities in Hungary: ah, you see, we really do value and support such investors. The other benefit is that with these agreements (and with the infrastructural and other subsidies offered to the relevant companies in accordance with them, though of course not following from them), there is also something on the other side of the ledger when, under pressure by the foreign owners of a tribute-paying company in Hungary, the respective country's government begins to protest or perhaps even contemplate countermeasures. What kind of companies does the government enter into strategic cooperation agreements with?⁸ The prime minister made this more or less clear with the statement that while not all multinationals can be "lumped together," there are indeed those who "not only want to acquire market share, but also develop and provide employment."⁹ "Naturally," those that cannot be placed in this category are the large corporations that provide gas and electricity, as well as the telephone companies, which are among the largest companies in the country. In the sectors that pay tribute through special taxes, only Tesco-Global Stores Inc. has signed a strategic agreement with the government. Of course, this is the same kind of commercial venture as, for example, Auchan Hungary Ltd., or METRO Trading Ltd., but with its workforce that easily exceeds 20,000, it is, after all, the country's largest private employer.

In June 2010, not long after the change of government, the Orbán government unveiled its first and at the same time most prominent tribute-extraction law, the so-called bank tax, which actually affects a wider range of financial institutions than just credit institutions, including insurance companies, financial firms, investment firms, the stock exchange, commodity providers, and businesses managing investment funds and venture capital funds. Its tax rate was 18 times as much as the previously introduced (and still prevailing) credit institution contribution mentioned above; it accounted for far more than half of the growth in special tax revenue in 2010. Of course, credit institutions paid the largest share of this tax, the base for which was the balance sheet asset value reduced by interbank lending, as calculated from figures in their 2009 and 2010 annual reports. The tax rate is 0.15% for the portion of the tax base up to HUF 50 billion, and 0.5% for any amount beyond this. (A temporary reduction in total special tax revenue in 2012 resulted from a reduction in revenue from this tax—see Fig. 1. This was related to the so-called early repayment

scheme for foreign currency-denominated mortgages at favorable exchange rates, and the possibility to make such repayments was based on a unilateral decision by the debtor. This was a serious burden for the banks, which was alleviated by the reduction of the bank tax that they had to pay: they were allowed to deduct from the latter 30% of their losses due to the early repayment device.)

Four months later, parliament adopted Act XCIV of 2010 relating to special taxes on certain sectors. It imposed the payment of tributes on three types of activities: a) retail trade activities, b) telecommunications activities, and c) the activities of energy-distribution companies. The tax was based on net income; retailers and telecoms with net income of less than HUF 500 million were (energy-distribution companies were not) exempt. For income higher than that, and in the case of energy-distribution companies for the whole income, the tax was tiered progressively.

Since 2012, two new, (amount-wise) minor tributes have had to be paid: an accident tax (based on the premium for mandatory third-party vehicle liability insurance, at a 30% rate; Act CII of 2011), and (according to the same law) a public health product tax (which has to be paid for soft drinks, snacks, alcoholic beverages, fruit jams, etc.).

Starting in 2013, an insurance tax has to be paid (15% of the casualty and collision vehicle insurance premium, and 10% of property and accident insurance premiums, Act CII of 2012), and more significant than these (amount-wise) is the financial transaction duty (Act CXVI of 2012), which should really be called a tax, since it is no compensation for state services, as is normally the case with duties (e. g., when we pay a duty for the registration of a change in property ownership). (It should be noted here that it is a mistake to associate this tax with the Tobin tax, named after the late Nobel laureate, American economist James Tobin, which has been introduced in certain Western countries and is being considered elsewhere. The Tobin tax only concerns purchases for speculative purposes—in practice, mostly stocks—while our transaction tax punishes all electronic payments and cash withdrawals from banks. Transaction taxes similar to ours are sometimes introduced then repealed from time to time in certain Latin American countries, and one was used in Australia for a relatively long period of time between 1982 and 2002.)

Of course, this system of tribute extraction through special taxes that has developed as described so far can be further changed and amended. There have been changes to the system, as the government, which initially

stressed the temporary nature of these taxes, later changed their mind. On the one hand, their previously promised reduction and elimination had to be postponed, which caused more and more conflicts. For instance, the bank tax was originally supposed to have ended in 2014 and reduced by half in 2013; both steps were later put off for another year.¹⁰ On the other hand, and more importantly, the temporary nature of these taxes prevented the European Council from ending the excessive deficit procedure against Hungary, since they, as only temporary measures, were not satisfactory: they reduced the government deficit below 3% of GDP, but not through long-term means, as required by the Stability and Growth Pact.

Thus, the government has made the tribute system permanent. In one way, it was simply stated thusly: “We have said this over and over again, but it somehow does not get through [to European Commission officials] that these imposed burdens are not temporary, but permanent elements of an equitable taxation system,” Viktor Orbán said at a press conference held in Brussels on 28 June 2013.¹¹ In other cases, revised versions of the tributes were declared as permanent elements of the tax system.

The latter occurred to taxes introduced in Act XCIV of 2010, which were repealed in 2013. A tax on public utility lines (Act CLXVIII of 2012) replaced the one for telecommunications and energy-distribution companies, but which also widened the scope of taxable items (e.g., waterworks, etc.). Raising the rate of the aforementioned Robin Hood tax, first introduced under the Gyurcsány government, from 9 to 12% also served to ensure a “properly” high tax burden on energy-distribution companies. During 2012 (through Act LVI), a telecommunications tax on telephone calls and text messages was introduced. A very particular, formally not special taxation measure reincreased the reduced tax burden on retailing, and it also put an extra burden on energy-distribution companies. Revenue from this tax did not go to the central budget (or to the Health Insurance Fund), but to local municipalities. This measure, an amendment of Act CLXXVIII of 2012, changed the local business tax law so that companies with revenue over half a billion forints could only deduct from the local business tax base 70–85% of the value of goods and materials that they purchase and resell, rather than 100%, which remained the rule for companies with smaller revenues. A few potential losers other than retail and energy-distribution companies of this new rule (e.g., financial leasing companies) were excluded from its application.

A new special tax arose in spring 2013: the idea of an advertising tax, and it succeeded in scaring away a possible foreign buyer of a privately owned nationwide television station that was lined up to be sold (thus the station was able to go to a buyer close to the government). This idea turned up again in the form of a draft law in May 2014. In financial terms it is irrelevant, since only HUF 9 billion (corresponding to 0.03% of GDP) of revenue are expected from it (along with a few other reductions in tax revenue). So brazen was the move, there was no effort to keep secret which independent media outlets they intended to strangle with this.¹² To dispel any doubts, the bill was amended prior to parliamentary approval with a “custom-tailored” tax exemption for TV2, the channel close to the government.

The Purposes of the Special Tax/Tribute Extraction and Its Consequences

Purposes

After a review of the special tax regime, we can clarify what its main purposes are. Three of these can be distinguished.

First, one aim is a populist anticorporation, antibank, xenophobic demonstration of transplanting ideology into practice. We hear and read daily from the government and representatives of the governing parties that it is not “the people” who have to pay these taxes, or any single one of them, but the (foreign-owned) large corporations.¹³ If these companies then pass these taxes on to their customers, they are the ones who should be reprimanded.

Second, in certain cases, the purpose of the special taxes is clearly to drive out foreign private owners as well. “If there is an appropriate offer, the Hungarian government is ready to consider buying back energy companies that are currently in foreign ownership,” announced Minister of National Economy György Matolcsy in December 2012, a few days prior to an increase in the special tax burden that affected these very companies.¹⁴ This is a bit of *déjà vu*, of course: it is well-known that from 1945 onward, Hungarian communist leaders attempted to prepare for the nationalization of large private companies through different ways of reducing their profits and causing them losses. The difference is that nationalization is now not

necessarily the final result, but can simply be a transitional state (transit nationalization) on the way to the “national” private owner, meaning one belonging to the adopted family.

Finally, the last, but by no means least, purpose is the revenue itself that can be collected as tribute. Of course, every government needs revenue at all times, but what happened in Hungary is that the Fidesz government forced itself into a situation where it had to raise revenue after odd tax cuts amounting to nearly HUF 600 billion, or more than 2% of GDP. It was partly for popularity purposes that following the formation of the government there was a brainstorming of ways to cut taxes: they repealed the inheritance tax and introduced a flat personal income tax at 16%. The latter measure—and recent promises to reduce it to less than 10%, albeit without mentioning a timeline for introducing it—is as suitable to dealing with the extremely high (relative to GDP) proportion of Hungarian public spending as it would be to pit a crossbow against an atomic bomb. The corporate income tax rate was also reduced, in the hopes that this would make Hungary a tax haven for “good” investors. They did not want to reduce public spending, so they had to figure out something else; and, as shown in the previous two points, coming up with the unbridled growth of special taxes was very much to their taste (among other “great ideas,” one of which was the nationalization of the private pension funds). New or increased revenue from the special taxes goes for the most part to the central budget and to a lesser extent to the Health Insurance Fund. Additionally, we have seen (in the 2012 amendment to local business taxes) that “special tax” revenue can also go to local municipalities. The government naturally does not have the latter revenue at its disposal, but this reduces the burden on the central funds they manage. It should be noted here that the 10% tariff reduction in residential electricity and natural gas services decreed in January 2013, which were later also extended to other areas that incur “utility costs” (garbage disposal, waterworks, sewer charges, chimney cleaning, and charges for sewage pumping), are of a nature similar to the special tax tributes. Revenue from this “utility reduction” (which of course does not take the form of revenue, being instead a cut in expenditure) does not go to the central government’s funds, but is a direct household benefit. The fact that the relevant companies are made to pay this, of course, again only reduces the burden on government funds. To drive the point home with the public, the companies are obliged, when they send bills to their customers, to highlight the amount that the government has saved the customer.

Consequences

Regarding the consequences of the special taxes, we would not get very far if we try to apply the commonly used methods for examining them, since taxation theory and other analytical means used in this area were developed for analyzing liberal market economies; they are based on the assumption that prices are unfettered and can be freely modified. In Hungary, however, the freedom of price movement is limited. An extreme case of this is the utility price cuts, which are essentially of a special tax nature and are fixed. In most cases, the price (service charge) is not really free, nor is it really fixed: political pressure prevails in the interest of the relevant companies not passing on the tribute payments or any increase in the same to customers, and especially not to households ("the people").

If we nevertheless consider for a moment that the prices (service charges) are free to move, then among the tribute payments we can find some that would have to be evaluated favorably or partially favorably. This concerns those special taxes imposed on the financial sector, which eliminate the zero VAT tax rate on financial services. Indeed, it is an important axiom of tax theory that taxes on goods and services do not have a distortive effect (i.e., will not deadweight loss causing), if they are levied at a flat rate. The introduction of an insurance tax and an accident tax is a step in this direction. It is not exactly a radical step, as it introduces three different tax rates, none of which, moreover, is the same as the so-called universal VAT tax rate (which incidentally is not even universal itself), but it is still a step in the right direction. The introduction of a tax with a similar effect on banking services would also be justifiable. However, none of the several types of banking tribute schemes even roughly corresponds to this purpose, since they are very far from a sales-type of tax, which for banks and other financial intermediaries would be based on total revenue.

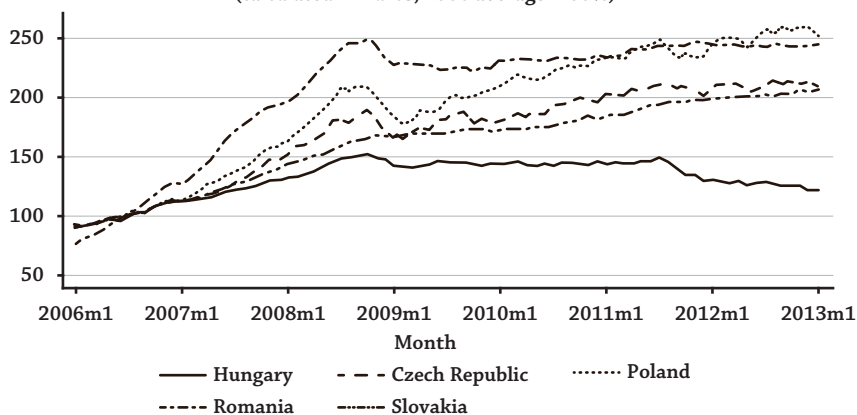
Regarding the special tax burden on financial institutions (basically banks, due to the relative underdevelopment of other institutions), its scale is no less of a serious problem than its construction; the special tax regime just on the banks can be regarded as a perfect specimen for the entire special tax regime.

The amount of special taxes that affect Hungarian financial institutions (and also the Slovak ones, admittedly following the Hungarian example in this area) in an economically meaningful comparison is not only larger, but orders of magnitude larger and in part several orders of mag-

nitude larger, than any other similar type of tax in the world. The Slovak Banking Association compiled a list of bank taxes paid in EU member countries, according to which the United Kingdom, for example, collects €1.9 billion in bank taxes annually, with €1.3 billion in Germany, €0.8 billion in France, €0.6 billion in the Netherlands, €0.5 billion in Austria, €170 million in Finland, €100–150 million in Portugal, and €21 million in Slovenia.¹⁵ The Slovak bank tax generates €170 million annually, while the credit institution contribution and special tax on financial institutions in Hungary amounts to more than €0.5 billion per year. The transaction tax of approximately €1 billion should also be added to this (in Hungary the transaction tax can be essentially considered a bank tax, as explained above); at first glance it is already quite high. In addition, these figures should be compared to GDP or some indicator of the national banking system. Measured in 2012 GDP figures (as published by Eurostat), the Slovak bank tax was 0.24% of the GDP, while the Hungarian figure was 1.54%. The same figures were 0.08% for the United Kingdom, 0.05% for Germany, 0.04% for France, 0.1% for the Netherlands, 0.24% for Austria, 0.09% for Finland, 0.08 for Portugal, and 0.06 for Slovenia. Moreover, the banking system in developed market economies compared to their GDP is much larger than in Hungary. Hence we get even more absurd proportions if we compare Hungarian (or Slovak) bank taxes to asset values of their banking systems (as published by the European Central Bank): the Slovak bank tax is 2.63% of the total

Figure 2

Development of corporate and retail banking loans
(calculated in Euros, 2006 average=100%)

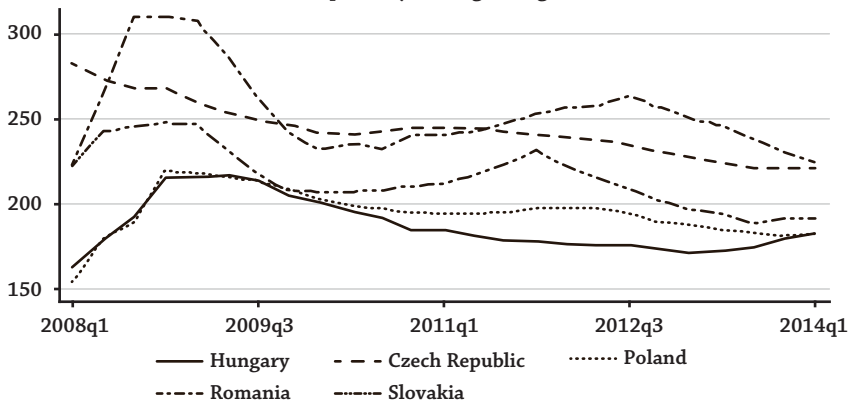


Sources: author's calculations based on European Central Bank data.

assets of its national banking system, and the similar data for Hungary is 3.34%. Whereas it is only 0.02 in both the United Kingdom and Germany, 0.01 in France, 0.02 in the Netherlands, 0.09 in Austria, 0.11 in Finland, 0.03 in Portugal, and 0.06% in Slovenia.

In the other sectors where tribute is extracted through special taxes in Hungary, special taxes do not exist in other countries (except, of course, for the energy tax first mentioned above, which is mandatory in the EU). On this basis, the Hungarian government quite rightly calls its own tax policy unorthodox. Fig. 2 shows the results of this policy: corporate and retail banking loans, which have grown elsewhere in the region since the beginning of 2010, moved from stagnancy to a rapid decline in Hungary starting in the middle of 2011. It should also be pointed out here that due to significant credit losses and the generally unfavorable economic environment, the majority of Hungarian banks have been unprofitable in recent years, and it looks like most of them will not make a profit in the next few years, either.¹⁶ The banks pass on most of the transaction tax to their customers.¹⁷ Yet, passing on the other big item, the special tax on financial institutions has not been easy, at least so far. This tribute payment thus means confiscating a greater or lesser amount of the capital in banks and other financial institutions that operate for the most part at a loss. However, a rapid decline in capital (faster than its activities shrinking) cannot be allowed to happen, which forces foreign parent companies to increase capital in

Figure 3
Gross investment as a percentage of GDP
(Four quarterly moving averages)

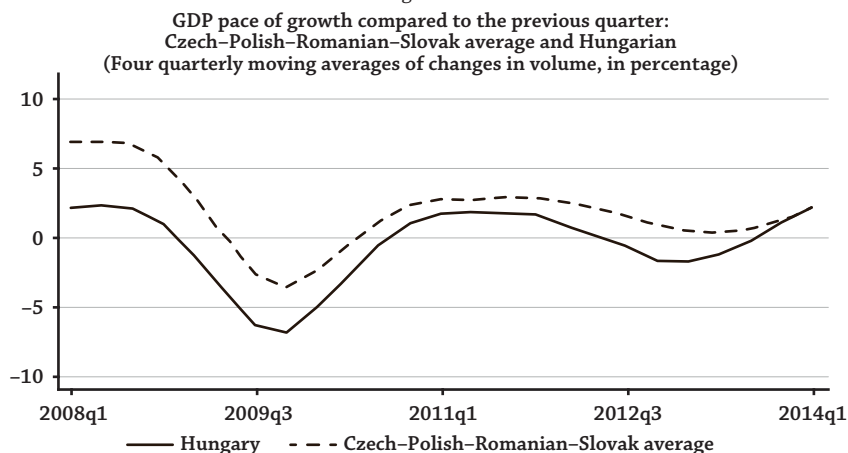


Sources: author's calculations based on European Central Bank data.

their Hungarian subsidiaries. These capital increases signify direct foreign investment, and according to the government's propaganda of success are a reflection of Hungary's strong ability to attract capital.

But in fact, the ability to attract capital needs to be measured in the development of total investment. It can be observed in Fig. 3 that the share of investment in Hungary's GDP has been extremely low among countries in the region in recent years, and only in the first quarter of 2014 did it overtake Poland as the second-worst investment share.¹⁸ The special tax tributes that make the economic environment unpredictable obviously play a prominent role in this decline in investment activity, and which not only will have, but already have had a result, since their significant contribution to the catastrophic stalling of economic growth is evident. In Fig. 4 we can see that following a sharp drop in GDP growth in the first half of 2009 (to roughly the same extent as Slovakia, incidentally), Hungary gradually caught up to the regional average. Yet, it again dipped below the average in early 2011, and only at the end of the period shown, after much loss in growth, could Hungary attain the average pace of growth of the other four countries. Even this result may prove to be short-lived: in a June 2014 publication analyzing outlooks for growth,¹⁹ the World Bank forecast that Hungary will fall behind the rest of its competitors in the region.

Figure 4



Sources: author's calculations based on Eurostat data.

Conclusion

Certain economic activities cannot be performed competitively from abroad, or at least not at a reasonable cost. Governments can abuse the low mobility of the companies performing these activities, extracting tribute from them through special taxes. These kinds of special taxes, however, are alien to market economies and are essentially unknown in Western Europe. Yet, Hungarian governments since the mid-2000s have discovered and experimented with the possibilities of tribute extraction. Since 2010, the Fidesz government has put itself into a difficult position with respect to increasing revenue by its odd tax cuts and rejection of appropriate cuts to public spending, and it has made the special tax tributes, which now generate nearly two and a half times more revenue than the standard corporate income tax, a key element of the tax system.

The purpose of this rampant special taxation under the Fidesz government is, in addition to generating revenue for the state, a populist, anticorporation, antibank, xenophobic (antiforeign ownership) demonstration of transplanting ideology into practice (while they enter into strategic agreements with the owners of large corporations belonging to mobile sectors of the economy, which require “enticement,” and to a greater or lesser extent help these companies get settled). A further purpose of the special taxes is also the displacement of owners viewed as undesirable, restoring, so to speak, tactics used by communist leaders after 1945 to prepare for nationalization. (Of course, this may today simply be a “transit nationalization,” followed by a transfer to the company’s new, “national” private owners.)

The special tax tribute payments and the mandatory price cuts (the utility price cuts), which are of an essentially similar nature, affect activities conducted by banks and certain infrastructural providers that are either already unprofitable or generate losses themselves and therefore truly represent a (partial) confiscation of their capital. More generally, the rapid growth of tribute payments, their spread into newer and newer areas, and their constant changes create serious uncertainty for businesses, and they obviously play an important role in Hungary having the lowest investment share of GDP, which moreover is moving in a sharply downward direction among the countries in the region. This latter point can hardly be independent of the fact that since early 2011 GDP growth in

Hungary has been lagging behind the regional average to an increasingly larger extent.

NOTES

- ¹ See, e.g., F. Heinemann, M. Overesch, and J. Rincke, "Rate-Cutting Tax Reforms and Corporate Tax," in *Europe. Economics & Politics* 22.3 (2010): 498–518; T. Rixen, "Tax Competition and Inequality: The Case for Global Tax Governance," *Global Governance* 17 (2011): 447–67; A. Marján, *Az Európai Unió gazdasága* [The economy of the European Union] (Budapest: HVG Könyvek, 2006), esp. 388–91.
- ² This interpretation was raised in a professional debate on the bank tax organized by the Hétfa Research Institute, see *Érvek és ellenérvek a bankadóról* [Arguments for and against the bank tax] (Budapest: Hétfa Research Institute, 2010).
- ³ See IMF, "Fiscal Adjustment in an Uncertain World," *World Economic and Financial Surveys: Fiscal Monitor*, 13 April 2013, 14, where other examples can also be found.
- ⁴ TNS Modus, an opinion-polling institute explored the evolution of views on this matter. A representative sample of citizens was asked the following question: "Do you think that the creation of a free market economy that is largely independent of state intervention is good or bad for Hungary?" In 1991, 65% of respondents answered "good," while in 1996, their numbers decreased to less than 37%. See S. Kurtán, P. Sándor, and L. Vass, eds., *Magyarország politikai évkönyve* [Hungary's political yearbook] (Budapest: Hungarian Center for Democracy Studies Foundation, 2001), 865.
- ⁵ The positive perception of foreign capital inflow greatly weakened in the first half of the 1990s. Public opinion polls show that the vast majority of its supporters disappeared in 1995, while the proportion of those opposed to it now equals the number of supporters. See R. Angelusz and R. Tardos, *A piacgazdaság társadalmi megítélése. Műhelytanulmányok* [Societal opinions on the market economy. Working papers] (Budapest: Budapest University of Economic Sciences, Department of Corporate Economics, 1996), vol. 2, 23–24.
- ⁶ See "A bankok tudomásul veszik a különadót" [The banks take note of the special tax], *Origo*, 19 November 2006, <http://www.origo.hu/archivum/20061129abankok.html>.
- ⁷ According to Article 37, para. 4, of the Fundamental Law, "[a]s long as the state debt exceeds half of the Gross Domestic Product, the Constitutional Court may ... review the Acts on the central budget, the implementation of the central budget, central taxes, duties and contributions, customs duties and the central conditions for local taxes for conformity with the Fundamental Law exclusively in connection with the rights to life and human dignity, to the protection of personal data, to freedom of thought, conscience and religion, or the rights related to Hungarian citizenship, and it may annul these Acts only for the violation of these rights."

- ⁸ Previously, the government indicated that it would be desirable to have around forty strategic cooperation agreements, but in June 2014, Péter Szijjártó, the state secretary for foreign affairs and foreign trade in the Prime Minister's Office, mentioned fifty in an interview published in *Világgazdaság* on 13 June 2013 with the headline "There May Be Even More Strategic Agreements on the Way." The actual number as of July 2014, with Ericsson Hungary Kft., the Hungarian branch of the Bosch Group, and Hewlett-Packard Hungary Kft., was nearly thirty.
- ⁹ P. Galambos, "Mit kapnak a jó multik Orbántól?" [What do the good multinationals get from Orbán?], *Origo*, 19 December 2012, <http://www.origo.hu/gazdasag/gazdasag-plusz/20121218-multicegek-strategiai-megallapodasa-a-kormannyal-suzuki-richter-microsoft-daimler-tesco.html>.
- ¹⁰ See "Matolcsy Bécsben a bankadó felezéséről beszélt" [Matolcsy spoke in Vienna about halving the bank tax], *Origo*, October 18, 2012, <http://www.origo.hu/gazdasag/20121018-2014ben-megfelezi-a-bankadot-matolcsy-gyorgy.html>.
- ¹¹ See "Orbán Viktor csak az ajánlások egy részével ért egyet" [Viktor Orbán agrees with only some of the proposals], *Bruxinfo*, 28 June 2013, <http://www.bruinfo.hu/cikk/20130628-orban-viktor-csak-az-ajanlasok-egy-reszevel-ert-egyet.html>.
- ¹² See, e.g., "A reklámadó veszélybe sodorhatja az RTL műsorait" [The advertising tax may endanger RTL's shows], *NOL.hu*, 2 June 2014, <http://nol.hu/belfold/adonak-alcazva-akarja-tonkretenni-a-kormany-az-rtl-t-1465721>.
- ¹³ See, e.g., "Orbán szerint a sárgacsekkadót nem az emberek fogják fizetni" [Orbán does not think that individuals will pay the tax on yellow checks], *Origo*, 2 May 2012, <http://www.origo.hu/gazdasag/20120502-orban-szerint-a-sargacsekkadot-nem-az-emberek-fogjak-fizetni.html>.
- ¹⁴ See "Matolcsy: Ha nem kellett volna eladni, akkor készek vagyunk visszavásárolni" [Matolcsy: If you shouldn't have sold it, then we're ready to buy it back], *mno.hu*, 21 December 2012, http://mno.hu/hirtv_gazdasagi_hirei/matolcsy-ha-nem-kellett-volna-eladni-akkor-keszek-vagyunk-visszavasarolni-1126416.
- ¹⁵ See Slovak Banking Association, "Téma: Bankový odvod: Rok po," Slovak Banking Association website, 25 July 2013, <http://www.sbaonline.sk/sk/press-centrum/aktuality/temabankovy-odvod-rok-po.html>.
- ¹⁶ See, e.g., "Komoly veszteség, borús kilátásokkal a magyar bankszektorban" [Serious losses and gloomy outlook for the Hungarian banking sector], *VG online*, 9 August 2013, <http://www.vg.hu/penzugy/penzugyi-szolgaltatok/komoly-veszteseg-borus-kilatasokkal-a-magyar-bankszektorban-409523>.
- ¹⁷ See "Mindenki a megemelkedett adó áthárítása mellett döntött" [Everyone has decided to pass the tax increase on], *Bankmonitor*, 17 July 2013, <http://www.bankmonitor.hu/content/1203.htm>.
- ¹⁸ In Fig. 3, we can also observe that the Slovak investment ratio also dropped sharply in early 2012. This "timing" roughly corresponds to when their bank tax began to take effect on banking operations in that country (Slovak Banking Association, "Téma: Bankový odvod").
- ¹⁹ See World Bank, "Global Economic Prospects," *IBDD*, June 2014, <http://www.worldbank.org/en/publication/global-economic-prospects/regional-outlooks/eca>.

István Csillag

Getting Rich as Mission:¹ Swapping Elites on a Family Basis

Accumulating Wealth Is a Party Duty

The founders of Fidesz seem to have borrowed the lines from the opening sequence of Andrzej Wajda's 1975 film *The Promised Land*. The film's protagonists, three friends who have just finished high school at the dawn of capitalism, symbolically hold hands and declare on a hill towering above the smokestacks of Łódź, notorious for its textile factories: "You have nothing and I have nothing, and we've got just **enough** to set up a factory!"

This slogan has guided the activities of the Fidesz founding fathers. The dormitory residents who founded Fidesz and their family members, that is, a circle of friends (the "family"), established a series of companies in 1992. Quality Invest Inc., Best Lizing (which later became Auto Classic Ltd.), Taxorg Ltd., Quality Party Service Ltd., Millennium Inc., Arzenal Ltd., and many other businesses were born, and after a few years vanished with debt owed to the state. A feature of these companies is that their founders were not the party, nor even its central company, Fico Ltd., but private individuals. All of these private individual owners were either Fidesz founders or their family members. The three owners and board members of Quality Invest Inc., a company founded on 4 April 1992 with one of the largest amounts of founding capital, HUF 102 million, were the younger brother of the current speaker of the National Assembly (Szilárd Kövér), the Fidesz Party head at the time and now a business magnate close to Fidesz (Lajos Simicska), and the party's legal advisor, since that time under an international warrant for his arrest (Tamás Varga). The father of the party's legal advisor (Sándor Varga) became their auditor. Every single member of the

supervisory board was also either a Fidesz founder or one of their family members or friends, in other words, members of the family. The origin of the money used to found the company remains in the family, the license for the company's cash flow and operations remains in the family, and the wealth sucked out of the soon-to-be-emptied company also remains in the family. It could even be said that the chosen party members have fulfilled their party duties by accumulating wealth. The former Fidesz parliamentary caucus leader and current president, János Áder, supported this notion, so to speak, in a letter written to the Fidesz membership in 1993: "The main goal was that neither external nor internal funds should put us in a dependent situation where the party has the means to pursue its policies only to a limited extent. This way, we have been able to avoid ending up in the pockets of any economic or other interest group."²

The Party for Those Getting Rich, and the Rich for the Party

The reasoning of Áder's letter sounds lovely, but the reality is somewhat different. The owners of these companies were not the party but the party leaders as private individuals, who organized themselves to enrich, accumulate wealth for, and satisfy the needs of private individuals. It was not the party that became richer, even if we assume—accepting János Áder's well-meaning explanation—that (at the very least) there is a passageway between a company's finances and the funds that serve the operation of the party. We do have to presume this passageway, because the previously mentioned founding capital of Quality Invest Inc. was exactly the same amount as the amount that (according to various recollections) Quality Invest, not the party, received from the purchase price for the subsequently infamous financial benefit and sale of the joint headquarters of the Magyar Demokrata Fórum (Hungarian Democratic Forum; MDF) and the Fidesz Party.³ The date of the company's founding (4 April 1992) is also very close to the date when the government of the Republic of Hungary approved the financial benefit for the joint MDF–Fidesz headquarters on 16 April.

First, it can be regarded as very likely that when the money was acquired for the company's foundation, its collateral was the portion of the purchase price for the subsequent sale of the headquarters, an entitlement for which the necessary amount was paid out to set up a business for these three hopeful young men.

The second feature of the story is that although the cash flows of these companies were hidden from the party's public exposure and from its decision-making and monitoring bodies⁴ (although subsequently a verbal briefing of awkward explanations and defenses was held with note taking banned), they were still able to influence the course of the party through the accumulation of wealth by private families. From then on, those who have been able to exercise power over the party are those who can—in the party's interest—oversee the wealth accumulators, or they themselves are also one of those wealth accumulators. Only those who know the secrets of the “family's” wealth may also know the party's secrets.

The third feature is that these two concepts, wealth builders using the party and the party of those controlling the “family” wealth, have become likewise inseparable, just like an overthrown party government and the governing party. What stays together, grows together: the wealth obtained from the party, and the control of those who got wealthy from the party.

“In my opinion,” said Viktor Orbán in a book of interviews published by László Kéri in 1994, “the party needs to be able to support itself in economic terms. We have to manage our legal property in a way that is most beneficial for Fidesz. We can only rely on ourselves. **All we have is what we acquire for ourselves.** As opposed to our **opponents**, who in the **past forty years have lined their pockets**, stocking up for hard times; or **who are using their present government position to create an economic base for themselves.** If we cannot compete with them, then we will not be able to advance our ideas to the voters. We would not have any publications, offices, or employees, and in spite of the fact that we have the best program, we will be beaten” (emphasis added).⁵

Here I will not get into the extent to which Fidesz's legal property was created by the private accumulation of wealth, or the network of companies serving the party's goals. I also will not address whether the opponents of Fidesz were actually better off than the party that “can only count on itself.” We know from sociographical surveys (published by TÁRKI, and Mihály Laki and Júlia Szalai in 2004) and Péter Mihályi's monograph on privatization that two-thirds of Hungarian entrepreneurs who got rich after the regime change were not even party members during the communist period. Out of the 212 members of the Central Committee of the Hungarian Socialist Workers' Party (MSZMP) between 1980 and 1990, there were only four who were able to accumulate significant wealth after the regime change.⁶

What is remarkable in this book of interviews is the clear message: we must acquire, because all we have is what we acquire for ourselves. It is not a coincidence that this view, from a book published in 1994, is in accord with a notorious statement by János Lázár, the head of the Prime Minister's Office in the current government: "[P]eople should scrape by, save up, and build brick by brick. Whoever is not capable of this, whoever has nothing, is worth just as much."⁷

The *ars poetica* in brief of those who created the core of Fidesz, and of the president and leaders of Fidesz: **Grow and get rich**. The financial funds providing the party's self-sufficiency, the creation and operation of an economic base at the party elite's disposal, as well as the accumulation of wealth ensuring independence, financial self-sufficiency, and subsistence for the members of the family that make up the core of the party's leadership are all inseparable from each other. Individual enrichment that creates and guarantees economic sovereignty, the increasing growth of laws granting the right of disposal over property, and the widening legal practice of possession and disposal, signifying an economic base for the interests of the ruling political organization, are all interconnected. In this context, the party is a political enterprise for the prosperity of families controlling the party and for their enrichment, while at the same time the prosperity of these families is a guarantee that they will be capable of achieving and maintaining a concentration of political power necessary to gain acceptance and legitimization of the accumulation of family wealth in the party and politics. (It is no coincidence that due to the role played by Orbán's father in acquiring ownership in the quarry and dolomite mine in Gánt, certain bodies in the party were furious over the unchecked use of Quality Invest's investments and financial assets coming from party headquarters. As we know, Orbán's father was able to win the tender for the Gánt quarry as a local worker by having Quality Invest provide the necessary funds for the bid in his family company through an increase in capital. However, the share of the company purchased for this was later sold to Orbán's brother and father at a much lower price.⁸)

Through the founding of these shady "friendly companies," they have attempted to achieve at least three goals. Not only was it their goal to create the economic foundations for the relatives of Fidesz leaders, but it also allowed the members of the family to become involved in the privatization process. Thus, they acquired the largest promotional and advertising company (MAHIR), and later the newspaper portfolio at one of the banks

(Postabank). While the party could not compete in privatization tenders to provide the economic foundations for personal enrichment, members of the family could. The third goal, of course, is the implementation of a solution known since the wars of religion: Whoever owns the property, owns the party. As students have learned from the age of religious wars, whoever owns the land decides the religion that those living on the land should follow (*cuius regio, eius religio*).

A Quite Original Accumulation of Capital

Orbán's statement about how the party needs to be able to support itself in economic terms also informs us that there are three possible ways to put the country's assets at one's disposal:

1. Through inheritance (either they lined their pockets and stocked up for forty years, or had no financial problems even before the communist period)
2. Through taking advantage of one's governmental position
3. Through acquisition based on their own laws, achieved by the members of the Fidesz family who accumulated wealth

Since the family could not count on inheritance, that left the other two. The governmental position method will be discussed later, but first we should summarize what acquisition based on their own laws means. The party's main luminaries attain wealth and property in their own names and in the names of their families and family members by using the exceptional legal possibilities at the party's (or parties') disposal (e.g., VAT exemptions or duty-free automobile imports, etc.) and public funds and other authorized financial assets and channels accessible to the parties from so-called party interests, with the justification that this way they "avoid ending up in the pockets of any economic or other interest group."⁹ Instead of exerting economic pressure, property that serves as the economic underpinning to gaining political influence migrates to the family. Thinking of next year as well, they will still maintain their economic independence, ability to influence, and standard of living, even if, perhaps unexpectedly, they lose their political position to provide exceptional access to laws.

Eastern European Postcommunist Growth: Privatization

Among Eastern European countries, Hungary alone put an end to the system of mandatory planning directives and established the imitation of a market system in 1968. At that time, official policy still denied that the market system was designed for the individual accumulation of wealth. This is suggested by Dr. Brain, the central figure of a cartoon series that popularized the 1968 reforms, who announced at the beginning of every film: **"We know that this is our country. But let's not take it home!"** When the Orbán government during its first term wanted to revive the once extremely popular cartoon series, the effect of this introduction dissuaded them from their plans, because they did not dare acknowledge that Dr. Brain was again raising the index finger of his right hand and admonishing an audience full of expectations that it intended to gain immediate personal profit by making off with public property. Yet, nothing could express how the new economic mechanism of the post-communist mafia state serving the prosperity of powerful elite families is constructed better than Dr. Brain's opening statement, through using the acquired means of governmental power, the system of coordinated channeling of public and private funds (e.g., there is only one advertising company worth dealing with if state institutions and the domestic subsidiaries of multinationals want their advertisements to have any impact), and an effective mechanism converging the coordinated operation of public and private property.

In the countries of Eastern Europe, only since the change of regime could a self-supporting livelihood, the attainment of economic independence, the accumulation of wealth, and prosperity become life goals. There is no doubt that behind the seemingly monolithic block of the state and nationalized economy there were also wealthy persons who had large apartments, houses, automobiles, and summer homes, but they had to keep them more hidden than now. Many a self-employed confectioner and tobacconist lived better than a party secretary in a city. Prosperity and wealth accumulation in Eastern Europe has been possible since the change in regime, and at the very start of this, the most successful way of achieving it was through attaining public and community-owned assets and property, and winning privatization tenders.

There were basically two paths for changes of ownership and privatization that occurred in the countries of Eastern Europe, combined in various

proportions. The techniques that were used, relative to the proportions of these two alternatives, also developed into hybrids of sophisticated, capital market-imitating and raw quick pocketing techniques.

Wherever the former state party, political superstructure proved to be overly strong, whoever had power and were members of organizations of violence (in Russian terminology: the *siloviki*)¹⁰ could put the majority of the country's assets and the bulk of communal state property at their disposal. In these countries, the former intelligence officers, former party bureaucrats, leaders of state-owned companies and the *nomenklatura*, or their relatives, took possession of large, monopolistic companies thought to be profitable. This is what happened with privatization in the former Slovakia of Mečiar (see the Košice Iron Works), in Yeltsin's and Putin's Russia (hydrocarbon industry), and in Serbia, Croatia, Slovenia, Bulgaria, and Albania (automobile and weapons factories; large, state-owned commercial units; and energy networks). Typically, however, these businessmen did not even come from the elite of the old regime, and in many cases not only because of their age. The overwhelming majority of current Russian oligarchs was in preschool or kindergarten in the Brezhnev era. The techniques they used were simple for the most part: "quick pocketing," a straight and simple purchase invented for this purpose, at times behind the screen of the company's workers' collective. Quick pocketing by the *siloviki* is the direct path to creating the ownership and economic foundations of the post-communist mafia state.¹¹

The other dominant direction for privatization in Eastern Europe is the liberal rule of law, in which an amalgam of progressive techniques is used in the privatization process (capital market and stock market privatization, competitive tenders, employee buyout benefits), together with constructing the basic institutions of a parliamentary democracy and dismantling the dominance of monopolistic, large organizations. Hungary played a leading role in this tendency, which could be measured in part by the speed and depth of the process, and from the fact that privatization in Hungary (precisely in order to alleviate indebtedness) took place with real owners, real money, and at market, and thus real, prices. The buyers were either foreigners or local residents. Local residents' connections to the upper levels of the party nomenclature in Hungary were much more relaxed than in the harsher communist regime. The domestic buyers of Hungarian firms came from three groups: the company's former middle management and senior staff, the company's customers or suppliers, and finally, young technocrats (lawyers and financial experts) who were able to apply creative privatization

techniques. While the first two groups had insider knowledge of the companies that were to be purchased, there was an asymmetry of information for the last one, the group of young technocrats, with regards to Western techniques of buying companies out. The founders of Fidesz belonged to this latter group. Between liberal democracy and the circumstances of private Hungarian wealth built by integrating the competitive sphere, the attempt to construct a post-communist mafia state through the privatization process could not even begin until the turn of the millennium. The Fidesz family, in possession of a network built up since 1992, got involved a little late in the struggle to obtain the assets of the country. On account of their lateness, the young democrats who came to power later had to acknowledge the camouflage and trappings of liberal democracy and the rule of law, and with the creativity they showed back in 1992, they made use of it. With the acquisition of governing power in their first administration (1998–2002), but even more in the second (2010–2014), the family that came to power was “forced” to build the economic foundations of the post-communist mafia state not through the classic direct path, but by taking its own individual roundabout way. Not only were the techniques of this path unique (more about this later), but also the financial stratum, in which there were attempts to obtain it, put it at their disposal, or possibly undermine its operation in the interest of their own prosperity and wealth accumulation.

Asset Stripping the Remaining State Property

By the time Fidesz first got into a governing role (in 1998) to build the economic foundations for the party and the families that rule it, the privatization process had largely ended in Hungary and there was hardly any remaining state property to be had. And so, between the narrow team of “late arrivals” and the Hungarian “early risers,” a clash was encoded from the start. The clash was with those who were either wealthy even before the communist transfer of power (in 1949), or with the help of the restitution or simplified privatization system, meaning an employee–management buyout, possibly through the help of wealth that was stashed abroad after World War II or savings that had been accumulated abroad, and used to reacquire a (fractional) part of their former property. This particularly Hungarian attempt at reforming business self-sufficiency soldered together the company’s employee elite and its young managers, who acquired small and medium-sized businesses by using

their web of connections, insider information, and the forms of credit specific to privatization. During the wave of business bankruptcies in the conversion, former “cherry pit” men¹² (who did not come from the MSZMP elite either!) and insiders at so-called “work-out” divisions (which sell the collateral of defaulted bank loans) in commercial banks gained possession of devalued and crumbling company assets at relatively low prices.

The vast majority of large companies became subsidiaries of international corporations through the capital markets or through a tender-bidding process. What remained in government hands was, based on a rational assessment, a large group of worthless companies that operated at a loss or were totally dependent on the state (e.g., mass transportation companies, the Paks nuclear power plant, postal services). However, there were also companies remaining in state hands that popular tradition unanimously regarded as national crown jewels. These included a few agricultural companies (good land, good livestock, capacity for genetic reproduction), government farmland that had been divided up, and state reserve land, the airport, certain gas and hydrocarbon suppliers, as well as a minority of companies operating electrical power networks or the odd business here and there.

The most important technique used for the remaining state property was asset stripping. Items of wealth were acquired for the swelling, adopted family, registered in their name, which, removed from large organizations, could be operated economically, or resold at a profit, or could simply end up in private ownership, depriving them of their “crown jewel” mythos. This includes, as directly controlled by the state asset management organization, the privatization of state farms transferred to the Hungarian Development Bank, the acquisition of valuable real estate by certain businesses (e.g., rail properties of Hungarian State Railways), fifty-year land leases, the privatization of companies operating the power system for large corporations, the transfer of certain parts of nature conservation areas into private hands, and the attempt by the state to acquire MOL’s gas divisions for later utilization.

But for the late arrivals, the items of wealth that could be privatized from a position of power were already very limited, accessing them was problematic, and, as it turned out, this could not be solved within a single government cycle. Therefore, when Viktor Orbán came to power for the second time, in 2010, no other tactic remained for his team than that which had originated in the regime change: the redistribution of newly private property, a kind of exchange of elites, by expanding the circle of the family. This, however—as we can see today—occurs through means that are hardly

market based, and requires noneconomic action, that which comes from the toolkit of government coercion.

The Ethos of the Mafia State: Acquire, Displace, Neutralize

To create the economic foundations for the family dominating politics and its party, inventiveness and a creative blend of possible tools and techniques are necessary. It may be that the increase in wealth already acquired is sufficient (for example, *Közcég*,¹³ by winning a succession of public procurement tenders, or the establishment of a system of available project funds that cleverly flows into one channel). It is possible that strengthening the market position a company has already attained “only” requires that its competitors weaken or voluntarily give up their market share, for which the use of noneconomic pressure is necessary (a thorough and diligent audit by the tax office or other authority, a new and larger bureaucratic burden than previously for one’s competitor, possibly more frequent inspections, and requiring that plans relating to business strategies be laid out in front of the authorities; in brief, more burdensome economic regulation). From that point on, the effectiveness of the war of independence against its competition generates a lavish income for the sales of services offered by the family’s companies.

Sometimes it is sufficient to suck the air out of potential economic (political) competitors by policing service providers, or those who are worthy are offered unlimited access to credit, an expansion of their business areas, or cheaper energy services: meaning, those willing to serve the enrichment of members of the family. At other times, it is sufficient to divert the terms of sales to a direction that serves the interests of family-owned companies (for example, by increasing the margin allowed for the sale of tobacco products, or by forcing a competitor to reduce prices through the utility price cuts). This method is obviously only possible within the country’s borders, and only effective in sectors for which the sales market is also a national market controlled by the government. It can also be an expedient method if the state acquires an ownership stake for the family, even a minority one, in an important market. It can then influence business policy or influence sales terms and prices to obtain financial allowances that can later go into reliable family hands (see the forced integration of the savings cooperative system with a majority government share). In order to increase the opportunities for a family company to gain

market share in a specific market, the “nationalization” of a competitor, supplier, or the main market buyer can possibly take place, which can also be a so-called “transit nationalization.”

Driven out of the Market

Transit nationalization occurs when a family-owned firm is already operating in a given market, and a monopolistic situation can be created or strengthened through government regulation that drives out a competitor or weakens its position. A good example of this is the “reduction” of habitat for the Spanish–Hungarian advertising company ESMA: referring to reasons of driver safety, a legal amendment makes it impossible for advertising companies to place advertisements on electric and telephone poles alongside public roads. Thus, its sales market collapsed and it voluntarily transferred its ownership share to its competitor MAHIR, a large advertising company in the family’s hands (Lajos Simicska).

A similar technique is the introduction of sector-specific taxes (on financial intermediaries, energy providers, the telecommunications sector, and chain stores), and new regulatory legislation that either forcibly reduces the company’s profitability by setting official rates (utility price cuts), or limits its opportunities for sales or market expansion (with ad hoc exemptions to the restriction on shopping mall construction). The common element of these techniques designed to drive out competition is the goal of transferring ownership for noneconomic reasons to the state immediately or at a later time, or simply to prevent any possible rival political group from accessing financial support.

Restricting the Right of Ownership or Disposal, and Possible Takeover

The company that had a monopoly on granting loans and trading art for pawned goods is a classic story: the forcible takeover of a majority share in BAV Inc. was implemented through repeated, endless tax audits directed at the security of its money management, which ended up with the owner having to choose between continual audits leading to nonviability, or keeping his other company and selling his shares in BAV Inc., and serving

the enrichment of the company (belonging to the family) designated for this purpose. (This occurred during their first term between 1998 and 2002.) The owner of *Metropol*, the free newspaper financed solely by advertising, was squeezed out of the market through a similar playbook: following government “persuasion” of advertisers, government companies pulled out and private companies reduced their orders due to “business considerations,” leading to the failure of the venture, then a change in ownership occurred at—presumably—market prices.

They evinced ingenuity in building up their economic foundations through the elimination of the market of redeemable checks distributed by the previous food voucher system, by undermining the French company that won the public tender (Le Cheque Déjeuner), then using tax reductions to strengthen the Erzsébet Vouchers, distributed by the National Holiday Service. In the area of residential services, it has been in fashion for water-supplying utilities to be driven out or taken over at market prices (Pécs, Budapest Water Works).

The Government Goes Shopping

The Fidesz government’s favorite and easily embraced technique for demagoguery after 2010 is acquiring a stake in private companies through an increase in state capital (savings cooperatives, Gránit and Széchenyi Banks, Savings Bank). In this case, even a government representative that owns a minority share can compel the remaining part of the company in (majority) private ownership to adopt a business policy that results in beneficiaries of the family receiving preference to obtain credit, or even deny credit to partners not desirable to the families. If the previous (minority) owner wishes to part with his shares, then a designated buyer appears, one that the reigning families can forge the largest and most harmonious agreement possible with and continue their growth.

Transit Nationalization

This method, directly serving the prosperity of the family, occurs when they first intend to neutralize the private owner, whether it be through harassing and financially depriving the company through particular oper-

ating modes (e.g., the chosen in the financial intermediaries sector), or through an operating environment imposed by new government regulations (e.g., waste management). A buyout by the state then takes place, with the business later going back into private hands and the wealth ending up with a family company. It is also worthwhile to implement a transit nationalization process in order to close off the tap to rival families (see the reacquisition of shares in MOL from the Russians), but it can also be effective for the purpose of making the movement of funds to foundations and civil society initiatives verifiable (see MOL and Patriotism and Progress).

When the Political Superstructure Supports the Economic Substructure

If the great family from the dormitory already has control over the political system, if Fidesz confidantes sit in place of the previous checks and balances, then it is not only worth putting a company or assets previously in private ownership into state ownership merely so that the family can possess it, whether this be immediate or at a later time (see Transit nationalization). But it is also so that no type of economic power capable of becoming dominant could possibly call into question the arbitrary exercise of power that is coordinated with the unlimited prosperity and growth of the family. State property takes care of this, along with the family's "holdings." This is also desirable for aesthetic reasons, as the exercise of power that tears apart the institutional limits of democracy within the trappings of the rule of law also preserves the appearance of a multiparty system, democratic elections, freedom of expression, and independent institutions, which is by no means a monolithic dictatorship, but also a mixed system. It also looks good for the economy if a mixed system is constructed instead of a system built on attempts at foreign capital dominance and on private ownership that was previously too monochromatic, in which state ownership, in addition to the private holdings of the family, is also present at an "appropriate rate" (see the purchase of a majority share in engine manufacturer Rába Inc. from its private owners). And, of course, the favorable foreigners (closed inside the system of strategic agreements) can do their business for the family in an enclave (such as in the auto industry).

Cold Nationalization

In order for the family to benefit from its acquired wealth in an undisturbed fashion and live off of the income of its holdings, three important conditions must prevail. First, it must make it impossible for properties that have been acquired to be reclaimed by their former owners, meaning that the legal system will only protect the sanctity of private ownership from the time it becomes property of the family. Second, there must be a separate legal framework guaranteeing the use of the acquired property at a profitability higher than normal (e.g., the price margin increase and the elimination or neutralization of competitors). Finally, buyers and suppliers of goods and services produced by the acquired company (assets) on the national market must be policed through noneconomic means (e.g., unilateral advantages of price and other delivery terms). With these three conditions in place the family's acquired wealth will be secure.

NOTES

- ¹ This article is a condensed version of a study that appeared in Bálint Magyar and Júlia Vásárhelyi, eds., *Magyar polip. A posztkommunista maffiaállam* [Hungarian octopus: The post-communist mafia state] (Budapest: Noran Libro Kiadó, 2013).
- ² Attila Ószabó and Éva Vajda, "Szerencsések és zsenik" [Lucky people and geniuses], *ÉS*, 4 November 1999.
- ³ In the newly launched multiparty system, the National Assembly provided headquarters for political parties from existing state property, proportional to the mandates and votes the parties received.
- ⁴ György Petőcz, *Csak a narancs volt* [It was just the orange] (Budapest: Élet és Irodalom Ltd., 2001).
- ⁵ László Kéri, *Orbán Viktor* (Budapest: Századvég, 1994), 113.
- ⁶ Péter Mihályi, *A magyar privatizáció enciklopédiája II. kötet* [The encyclopedia of Hungarian privatization, vol. 2] (Budapest: MTA Közgazdaságtudományi Intézet–Pannon Egyetemi Publishers, 2010), 249.
- ⁷ "I have never been ashamed of what I have, as I work hard. I grew up in a milieu in which work was not shameful, and you should not be ashamed of the results of your work, either—people should scrape by, save up, and build brick by brick. Whoever is not capable of this, whoever has nothing, is worth just as much. Whoever has done nothing with their life, is worth just as much, I can tell you that. Their life is worth that much. That's my opinion." Statement by János Lázár, mayor and the leader of the Fidesz parliamentary caucus, among

other roles, at a town assembly in Hódmezővásárhely from a recording that was recently made public. *Népszabadság*, 19 March 2011.

- ⁸ Attila Ószabó and Éva Vajda, "Fiúk a bányában" [Boys in the mine], *ÉS*, 20 August 1999.
- ⁹ See Áder's letter quoted in Ószabó and Vajda, "Szerencsések és zsenik."
- ¹⁰ Nothing illustrates the important role the organizations of violence played in the destruction of public property and in the development of a competitive economy in Hungary than a prior example. Among the representatives and leaders of economic labor organizations (GMK, VGMK) that played an important role in Hungary's economic liberalization in the early 1980s, a good number of them—over 70%—who initially took part (in the first thousand registered companies) were former police officers and internal staff from the Interior Ministry, those who had always "stood above the law" and did not fear the lurking risks of the new configurations that could have arisen because of challenges to the established structures. István Csillag, "A kisméretű gazdálkodók, kisvállalkozások működése, szabályozása, tapasztalatai" [The functioning, regulation, and experiences of small-scale farmers and small enterprises], in *Népgazdasági Jogi Kutatóhálózat kutatási beszámoló* (Budapest: MTA State and Legal Sciences Institute, 1984), 146.
- ¹¹ Lajos Bokros, "Az oligarchia és a demokrácia harca az átmeneti társadalmakban" [The struggle between oligarchy and democracy in transitional societies], *Figyelő* 1.2 (2005): 5–24. Péter Mihályi, "Nemzetközi kitekintés" [International overview], in *A magyar privatizáció enciklopédiája* [The Hungarian encyclopedia of privatization], vol. 1, part 1, nos. 2/9 (Budapest: MTA Institute of Economic Sciences–Pannon University Publishers, 2010), 402–13.
- ¹² In 1969, during the first year of the New Economic Mechanism, the party paper at the time, *Népszabadság*, began a campaign against the resourceful "cherry pit man" (the late Béla Demeter). The "cherry pit man," by selecting and washing unwanted waste seeds from a sour cherry canning factory, managed to produce seeds for planting and make a decent income for himself, which naturally was several times the income of a "decent worker."
- ¹³ A private company specializing in infrastructure development, rail and highway construction, and owned by a former Fidesz party treasurer and later head of the tax office (Lajos Simicska).

Éva Várhegyi

The Banks of the Mafia State

Prologue: Postabank, Hungarian Development Bank (MFB)

In its first administration, the Orbán government had already recognized the potential opportunities in the banking sector. Out of the possible ways that the government could have managed the **near-bankruptcy of Postabank**, one was chosen that promised to provide a financial payout as well as a political one: it dismissed the bank's managers in the summer of 1998 and made a move for its revenue.

Using taxpayers' money to bail out the bank provoked serious concern in the general opinion of professionals and politicians at the time. This was not merely because, from the start, the company managing the bank's dubious claims retained the option to withdraw money, but also because the **HUF 152 billion of capital advanced to Postabank** far exceeded the extent justified by certified audited reports.

The government's capital infusion into Postabank merits attention not only because of the uncontrolled use of public funds, but also because the method of **nationalization through the plundering private owners** first appeared at this time. The government reduced Postabank's capital of HUF 42 billion on paper to one-half-thousandths of its value, then provided it with HUF 152 billion of capital, with the result that the bank's equity capital was again increased to HUF 40 billion. But in the wake of this reduction in capital **shareholders lost the value of their investments**, while **the government's stake increased to 99.7%** following the capital increase. This technique was also seen fifteen years later, when the state acquired some HUF 3 billion of Takarékbank assets, or one-fifth of

its equity capital of 15.5 billion, through a capital infusion of only HUF 655 million.¹

Due to its pressing lack of funds, the government flirted with the idea of selling Postabank again. Since privatization rules required a competitive tender, the government came up with the trick that it would not sell the bank, but rather look for a state-owned partner for it. However, OTP, the bank designated for this, offered a smaller amount than Postabank's own capital, so the government halted the deal. By accepting this offer, it would have in fact acknowledged that Postabank also lost capital under its direction.

We have somewhat more information about how the **Hungarian Development Bank (MFB), which was relieved of its banking activities**, was used. Its formation, spanning across different governments provided **the comfort of a "state within a state" status** to the prevailing powers: the opportunity for the uncontrolled use of its funds. Orbán's first government gave this state-owned bank the task of financing the construction of a 600 km-long highway in order to circumvent the public procurement process and select construction companies without a tender. This was—according to the letter of the law—because MFB was not subject to the public procurement law.

In spring 2001, the Orbán cabinet continued to weaken the special regulations related to government-owned banks. The bank finally ended up in the government's outstretched hands through a legal amendment: a law that obliged parliament to supply HUF 60 billion yearly to the bank's capital, away from public view and operating as a money-sucking ATM, providing guarantees for the bank's loans at will, while—though defined as a nonprofit bank—allowing it to take on many times the risk that profit-making banks are able to assume.

Fidesz's loss in the 2002 election interrupted, for a period of time, the expansion of its clientele and the further development of an institutional framework that provided for the uncontrolled private use of public funds. In 2010, however, Fidesz was once again able to take over the reins of this state bank. In the meantime, Postabank had been sold to Austria's Erste Bank, and so the second Orbán government had to find new sources for funds.

In his **second term** in government, Viktor Orbán **devoted even greater attention to the banking sector** than previously. But this was not for the same reason as leaders of other countries, who had to compensate for bank losses in the global credit crisis of 2008 with injections of government capital to maintain the viability of their financial systems. In this respect, the Hungarian government found itself in a comfortable position:

subsidiaries owned by foreign financial institutions were capitalized by their Western parent banks, while Hungarian-owned financial institutions only required minimal assistance from the state.²

At the same time, the financial crisis was a good excuse for the government to expand its influence within the Hungarian banking system and place an increasingly larger share of the sector under its control. By employing the ideology of “national ownership,” the premier revealed his desire to acquire money and power, announcing in summer 2012 that at least half of the banking system should be under Hungarian ownership. With the slogan of national ownership, the government extracted tribute from the Hungarian branches of multinational banks, making efforts to induce them to leave the country, and strengthening credit institutions that were domestically headquartered. However, through methods that tread on the boundary of legality and are revealing in other ways, they have exposed their true purpose as that of **serving their own clientele and their “adopted family,” and creating an institutional system suitable for the uncontrolled use of public funds.**

In the governing term that began in 2010, the Orbán government openly sought to **put an ever-larger share of the Hungarian banking sector into the service of the mafia state.** The passages below will discuss the stages of this process thus far. It will not be argued that the entire agenda has been planned out in advance; no doubt there have been many moments during the implementation process borne out of contingencies and immediate need. Although they are far from reaching the end of this journey, their efforts at propping up “family”-owned banks have already caused severe devastation. The reordering of the market and the acquisition of targeted businesses have been accompanied by the systematic looting of doomed multinational banks and the undermining of their normal activities. Thus, within a short time they have managed to make investors, who earlier breathed life into the Hungarian banking sector, shift into reverse gear.

Bank Robbery on a Large Scale: The Plundering and Displacement of Multinationals

Entering the scene in 2010 for the second time, the Orbán government, riding the global antibank public mood that was prevalent after the 2008 credit crisis, set about **systematically plundering multinationals and**

driving them out of the Hungarian banking market. With this, the government could kill several birds with one stone. Through the scale and means of levying taxes, the government could finance its unorthodox economic policy with a bank tax that was unusually high by international standards, while also increasing its political popularity in the eyes of the majority of the electorate. By undermining these multinational-owned banks, **it created at the same time a market for financial institutions that were chosen to enrich the wealth of the “adopted family.”**

Although this process of plundering and displacement had already begun by the summer of 2010, the final scenario was presumably being written as events progressed, and occasionally a privileged party from among the victims was able to have a say in it. The **“brutal” bank tax** was constructed in such a way that the relative beneficiaries would be OTP Bank, led by the prime minister’s close friend, Sándor Csányi, as well as small-scale financial institutions. Indeed, not only are small-scale credit institutions spared this tax with a symbolic tax rate, but also among larger banks, highly profitable OTP is less burdened than its competitors. This was achieved by taxing the banks on their total assets, even if their revenue does not cover this amount.³ For banks that are less profitable or unprofitable, therefore, this tribute effectively means a tithing of their holdings.

The main losers of this special tax were MKB, a subsidiary of Bayerische Landesbank that in 2009 was still the second-largest bank in terms of total assets, plus the large subsidiaries of the Italian Intesa-SanPaolo and the Austrian Raiffeisen banks, all of which suffered heavy capital losses between 2010 and 2013. Although its proportion of the bank tax is tolerable compared to its considerable profit, the high-volume OTP Bank, the savings cooperatives, and other (mostly Hungarian-owned) smaller banks were able to increase their share of the Hungarian banking market primarily at these other banks’ expense.

Initially, the bank tax was announced as temporary in nature, only becoming permanent later. In the meantime, a new tribute payment was imposed on the banks, strongly affecting OTP this time, yet it continued to spare the savings cooperatives and smaller banks of their friends: **the banks were obliged by law to allow their foreign currency debtors to pay off their mortgages early, at a fixed exchange rate far below market rates.**

The government again managed to kill several birds with one stone through this early repayment scheme. It stood to benefit politically from solving a problem that had dragged on for years, and moreover essen-

tially using the banks' money to do it.⁴ The terms of the early repayment scheme, which put a burden of HUF 370 billion on the banking sector, were designed in such a way that the beneficiaries would be wealthier-than-average debtors belonging to a desired political group, among them the prominent members and clientele of the governing party.

An increase in economic power was also coupled with political payoffs. This new tribute payment led to further capital losses at several banks, which their owners had to compensate for; this in turn induced these banks to restrict lending at their subsidiary branches in Hungary. A few parent banks (Erste, UniCredit) immediately indicated that they would review their regional investment policies, while the head of Intesa-SanPaolo, owner of CIB, stated directly that Hungary was a "nightmare."⁵ Upon hearing the news of a new rescue package for foreign currency loans, the head of Raiffeisen indicated that due to the existing special taxes, the banks had no room to maneuver in terms of taking on any more heavy burdens, while the Central and Eastern European director of the UniCredit banking group warned that the government was playing with fire by enacting measures that, with an eye to the elections, were designed as anti-investor.⁶

Clearly, this was precisely the intention of the premier, who had repeatedly stated that he would not mind if a few foreign-owned banks left the country and transferred their respective market shares to Hungarian-owned financial institutions. Although the primary purpose of the early repayment law was to bail out a desired group of foreign currency debtors, the motivation of **displacing certain players and empowering others** was just as obvious here as it was in the specific way the bank tax was formulated. Banks with funds in forints (OTP and the savings cooperatives) were able to acquire customers by offering forint-based loans for the early repayment scheme to the foreign-currency debtors of competing banks.

Raiding the Savings Cooperatives

By the summer of 2013, the masterminds of the mafia state had found a method even more open and coarser than the previous ways they displaced market players and empowered others. This was when the idea of raiding the savings cooperative sector matured, nakedly displaying the true meaning of the rhetoric of "national ownership," "the interests of the Hungarian people," and "rural folk." Adopted in late June 2013, the law

on the integration of the cooperative credit institutions⁷ disenfranchised and deprived hundreds of thousands of private owners of their stakes in the cooperative credit institutions, which represented the largest segment of the “national” banking system: it nationalized their accumulated wealth and ousted them from the banks they themselves established, while the government retained the right of all substantive decisions on the matter.

In spring 2013, the government opened the way for a large-scale operation by acquiring a 38.5% stake in Takarékbank (Savings Bank), majority-owned by the cooperatives, through the Hungarian Development Bank as an intermediary. But with this step, the revenue from the savings cooperative system had only begun to come in, as intended by the law on integration. Under the pretext of strengthening the savings cooperatives, the law that was submitted and voted on without those organizations’ input, ultimately **included nationalizing the savings cooperatives**, which were then privately owned, **combined with strong-armed, open extortion**, and opened the way for their subsequent privatization.

Under the legislation, the cooperatives could only remain owners of Takarékbank if they complied with the requirements set out in statutory regulations: if they voluntarily handed over the wealth that had accumulated in institutional protection funds to the state-orchestrated Integration Organization, and if they accepted a new company charter that was drafted with guidance from the government. If they were unwilling to do this, then their status as a cooperative credit institution would be relinquished, and they would be required to transfer their Takarékbank shares to the publicly owned MFB. This new charter forced onto the savings cooperatives does not allow them to have a say in any substantive decisions, while the management of Takarékbank is able to have a say in the personnel decisions of the cooperatives, and can even replace their democratically chosen leaders.

It was a familiar procedure: through a similar extortion scheme in the winter of 2010, the government convinced private pension fund members to “voluntarily” hand over their accumulated savings to the state-run system.

The Országos Takarékszövetkezeti Szövetség (National Savings Cooperative Association; OTSZ), chaired by Sándor Demjén, had long considered a proposal that every savings bank be obligated to join *some type* of institutional protection fund. But now, even they were shocked to learn that nationalization of existing funds was being accompanied with the curtailment of their members’ rights. The OTSZ sent a petition to the commissioner on general rights, stating that the law violated the basic legal provi-

sions set out in the Fundamental Law, and also seriously interfered with civil legal affairs.

The curious thing about this was that while in the savings bank affair the government clashed with Demján, considered one of the icons of the “national bourgeoisie,” that very summer it provided a capital increase of HUF 2.6 billion and HUF 3 billion, respectively, into Gránitbank, one of Demján’s holdings, and the similarly “friendly” Széchenyi Bank, as if it were blood money. For the **smaller banks in the “family,”** the government was content with a 49% ownership share, meaning that **it gave them capital without asking for a say in their affairs in return.** The minister of national development justified the two capital injections by saying: “Empowering the domestic banking system is a general government goal, and the two capital increases are a part of this process.”⁸ Here, it appears that there is complete trust in the owners and management of these banks and there is no need for a short leash, as was the case for the savings cooperatives.

Creating the Conditions for Politically Selective Lending

Exactly what purpose did the government have in mind when it put the cooperative credit sector under its thumb? The minister of national development, who submitted the draft law, justified the more stringent regulations on capital by stating that “the rural small and medium-sized business sector and the agricultural sector are in dire need of cooperative credit institutions that offer competitive services and loans.” To interpret this statement, it is necessary to know that the law, prepared in secret and quickly rammed through parliament, was also coupled with the **promise of a HUF 100 billion capital injection,** as much as eight to ten times of which could be lent out by the savings banks, if they have the funds for it. Their funds had been sufficient until that point, since only half of their deposits had been loaned out—there was simply a lack of opportunities to give loans at an acceptable risk for them. The larger half of unused deposits (HUF 400 billion) was used to purchase government bonds, while the smaller half (HUF 330 billion) was deposited into other banks.

A capital injection, provided in late 2014 was designed to encourage savings banks to lend out their existing deposits to avoid having them lend to “foreign” banks, which are capable of assuming a higher risk. The capital increase, combined with the managerial powers they had acquired,

also provided a way for them to **increase credit to their own clients** from the savings of the “rural folk” by as much as HUF 800 billion to HUF 1 trillion. The ideology of empowering national capital was apparently just a cover story, as capitalizing the savings cooperative sector—considered the bank of the rural regions—could have served to provide loans and support for the rural small enterprise sector under its former ownership structure. Yet, if the government had left the old leadership and the autonomy of the membership that elected it intact, it would not have been able to direct household savings from these savings banks to their desired companies. Their real intention was revealed by the not-exactly-prudent lending policy of Duna Savings Cooperative, led by a friend of the premier, which “was able” to extend credit in the spring of 2012 to a foundation established by Orbán to promote football talents, allowing it to purchase the necessary land to build a stadium in the town of Felcsút.⁹ But the inverse situation can also be interpreted from this term: politically selective lending can work by not only choosing the winners, but also the losers, meaning that it can also be used to deny them the opportunity to obtain credit. For small rural businesses, **a lending practice that asserts forms of politically motivated discrimination** may replace the essentially market-based lending approach that has existed until now. Thus, a neutral economic activity is able to become an instrument of the exercise of power.

Transit Nationalization and the Reorganization of the Banking Market

Legal rights continued to be lost when the government nationalized Takarékbank, acquiring a majority share in the bank despite earlier promises. The preamble to the law, which stated that the government “intends to sell” the ownership position it had acquired “within a reasonable length of time, if it views the process it launched as irreversible,” had already indicated that in fact a **transit nationalization process** had occurred, with the ultimate aim of **maneuvering the previously autonomous savings cooperative sector into the hands of business coterie designated by the government**. Transferring management rights to Takarékbank was necessary so that the government would be able to control the operation of the entire sector through it.

Yet, this was not only about angling for ownership and management rights, but **reorganizing the banking market** as well. The secretary general

of the National Association of Entrepreneurs and Employers said in an interview:

With a very modest investment, at a value of HUF 650 million, the state has acquired shares inexpensively, which is to say, ownership in the bank. And as soon as the state is in possession, it can take steps to force numerous public institutions, schools, kindergartens, nurseries, hospitals, and municipal governments into the savings cooperative system. These institutions will keep their accounts there, and will transfer salaries to civil servants and public employees from there. In other words, with a small investment, the state was able to acquire huge economic influence and power in the Hungarian countryside.¹⁰

As the state disposed of the shares it had acquired on the cheap, it also offered up the economic power that had increased in the meantime to the newly-chosen owners—with a good chance that those owners were part of the “adopted family.”

It did not have to wait long for this. Within a matter of a few months, the government handed over its majority ownership in Takarékbank, which was authorized to manage the savings banks, to a company founded by the privately held FHB and a dozen savings cooperatives, or rather by their leaders. Along with this, a provision in the new Takarékbank company charter on the transfer of shares, forcibly shoved down the throats of the savings cooperatives, offered help by appearing to provide protection to smaller owners, but in reality excluded precisely those owners from buying the government’s stake. In particular, Section 10 states that a so-called “third party” without any ownership in the bank is required to make a bid offer to the other shareholders at a price amounting to fifty times (!) the bid price per share. Oddly, however, the charter considered an association comprised of more than a hundred savings cooperative owners of Takarékbank to be a “third party,” which could then submit a bid for the state’s share of the 54% of Takarékbank offered for sale, estimated at a value of HUF 8–10 billion, if it first put some HUF 400 billion on deposit. With a paragraph intended to keep out external, nonshareholding buyers, they excluded precisely the organization that united the bulk of the savings banks.

A governmental decree in December on the sale of the state’s share packet, however, specified that priority should be given to actors in the

savings cooperative sector, if possible. And so, in the weeks prior to the closing of the tender, a majority stake was granted to the owners of the sole bidder, Magyar Takarékszövetkezet Inc., comprised of fifteen savings cooperatives and their seventeen directors. But the single largest shareholder was the FHB Bank Group, which gained a 25.1% share and whose director and co-owner, Zoltán Spéder, was the presumed mastermind of the entire operation. For safety's sake, a governmental decree in late February ordered that it was of "national strategic importance" for Magyar Takarékszövetkezet Inc. to purchase Takarékbank. This forestalled the possibility of the Hungarian Competition Authority blocking the sale based on the excessive market strength that would result from the purchase.

The Transit Nationalization of Large Banks

In fall 2014, the government put even larger morsels than the savings cooperative sector at the service of the mafia state when it bought MKB Bank, the Hungarian subsidiary of Bavarian BLB, and put in a bid for Budapest Bank, GE's Hungarian subsidiary. As the fifth-largest player on the Hungarian banking market, MKB Bank suffered heavy losses due to bad real estate investments and considerable tribute payments to the Orbán government, but its owner, the Bavarian state, continued to replenish its capital. Thus, it was surprising when the Hungarian National Bank (MNB), also vested with supervisory powers and invoking the recently adopted reorganization law, took the bank under its management and appointed commissioners to head it shortly after it was taken over by the state.

The bad investments and loans were removed from the bank's portfolio and will be sold in a publicly nontransparent manner, leaving ample room for profiteering by its clientele. This large bank under the MNB's control thus creates an opportunity for the politically powerful to extract money in a manner similar to the one created early in the last decade by Postabank, which was nationalized by the first Orbán government. After being cleaned up, MKB will be merged with Budapest Bank, which until now has operated profitably, and as such can become the country's second-largest bank and provide for the "selective" lending practice described above to take place. The MNB promises to reprivatize the banks taken under state control within the next year and a half, but since it intends to keep them under

“national” ownership, this will only be possible by excluding competition and offering preselected buyers that have government backing.

The government and the MNB are also considering purchasing other large banks, which would provide a good basis to squeeze them with more tribute payments. In 2015, it will deprive them of HUF 400 billion through the same level of special taxes and transaction duties to be paid. Moreover, they will have to refund a net amount of HUF 700 billion to their customers, based on a retroactively effective law devised last summer that charges banks with inherently unfair practices (for which the government, propaganda claimed, would “hold them accountable”). This policy creates the opportunity for another large bank (or banks) to be able to put itself at the service of the mafia state.

The Hungarian National Bank as the Treasury of the Mafia State

Invoking the law on reorganization, the Hungarian National Bank also exceeded its powers by taking over control of the government-purchased MKB Bank, since the bank was not at all at risk of insolvency. The MNB governor compounded the abuse of the law by announcing that in addition to deposit insurance, the central bank will provide a full guarantee for all of MKB’s deposits, loans, and bonds. With this step, it sent a message to depositors that their money would be more secure in banks under state control than in foreign-owned institutions, regardless of the strength of their capital. The central bank’s guarantee violated the principle of competitive neutrality by promoting the flow of deposits from private banks to state-run banks.

György Matolcsy, promoted from his post as minister of national economy to MNB governor in 2013, also serves governmental policy in other ways. Abusing the independence of the central bank, the MNB has established foundations from the profits generated by the continual devaluation of the forint.¹¹ These foundations engage in educational and research activities in the spirit of the unorthodox economic policies pursued by the government, and partially compete with autonomous institutions of higher education and academic research institutions, along with offering wages much higher than local conditions warrant. In addition to activities intended to transform “public thought,” the management of the MNB also

assists the government with other extravagant spending that falls outside of its mandate (e.g., fine art purchases, sponsorships). Though in theory independent from the government, the central bank has in fact become the treasury of the mafia state through the unauthorized use of its profit.

Adopting and Disowning

With the slogan of promoting a “national bourgeoisie,” Viktor Orbán will “adopt” worthy entrepreneurs, but if their economic power becomes burdensome, he will act just as quickly to disown them. The first person from the banking sector that Viktor Orbán publicly became bosom buddies with was Sándor Demján,¹² after Orbán’s announcement in autumn 2010 that a capital injection of HUF 100 billion would be provided to the savings cooperatives, which are considered the depository of national property. One may have guessed at the time that he would—bizarrely—use the special taxes nabbed from the banking sector as the funds for this, but in the end every last penny was needed to patch holes in the budget. The capitalization issue was finally put on the agenda in the summer of 2013, but this time with a new cast of characters and as a side note to the raiding of the savings cooperative sector.

The scheming to acquire the savings cooperatives was accompanied with changes in rank for those in the banking sector from the “adopted family.” While in the past Sándor Csányi¹³ and Sándor Demján represented the part of the banking society that enjoyed the confidence of the government, the main beneficiary of the current operation is one who remains hidden in the background, Zoltán Spéder, the head of FHB. Demján, however, who also functions as the president of OTSZ, has been seriously wounded, and Csányi’s bank has also lost its market position. In a similar way, another banker that was a long-time favorite of Fidesz, István Töröcskei, fell out of favor from one day to the next. The government bailed out Töröcskei’s bank, Széchenyi Bank, with a capital injection when it was on the verge of bankruptcy in 2013. But when conflicts within the ruling party intensified in the autumn of 2014, it let the bank collapse. This is how major financial moguls can be disowned or turned into subjects after having previously been allies.

The “adopted family’s” prominent disownment of Csányi, who has close ties to the prime minister, became apparent in several successive

stages. The prime minister's statements on the passage of the law governing the occupation of the savings cooperative sector, the announcement of a new, "radical" rescue package for foreign currency debtors, and the extension of the bank tax into the unforeseeable future all indicate a weakening of the bank chief's position.

However, Orbán's concept of empowering national ownership means that driving out and bleeding dry the foreign subsidiaries that serve as its main competitors has not only helped gain market share for OTP, but for other businesses as well. For example, a so-called "green bank" was to be established and majority-owned by OTP, providing several hundreds of billions of forints to fund Hungary's agriculture, renewable energy, and environmental sectors for the EU's 2014–2020 budgetary cycle. But by the end of the summer, the proposal was taken off the agenda. According to media reports, this was because even more power would have been concentrated in Csányi's hands. Since only an institution that provides nationwide coverage can function as a green bank, which centralizes EU aid, bank loans, state guarantees, and project finance consulting in one place, the government presumably sought to empower the savings cooperative sector by knocking out OTP.¹⁴

The "disownment" of the bank chief is presumably part of a complex power struggle that János Lázár, chief of staff of the Prime Minister's Office, has been acting out in public with verbal attacks. In the latest opus of his long-running battle of words, Lázár singled out Csányi as "the country's number one usurer," referring to his "billions acquired from foreign currency loans."¹⁵

And who are the **newer members of the "adopted family"**? Taking shape thus far appears to be: Zoltán Spéder, the CEO of the majority Hungarian-owned FHB since 2007, a member of the extended Fidesz family and a supporter of Csányi, the builder of the current OTP empire, as well as former OTP deputy chief Csaba Lantos, the head of FHB's supervisory board who is also on good relations with the government. In late May 2013, Lantos was also elected to the supervisory board of Hungarian Post, which acquired a stake in Takarékbank for the state's benefit, and four other former Spéder subordinates have also been admitted to its governing bodies. Tamás Vojnits, for years one of Spéder's staff at OTP, then later at FHB, was given the task as a government commissioner to write an appropriate law to permit the raiding of the savings cooperatives.¹⁶ A further tell-tale sign of this intertwining of interests was when the MFB transferred its

shares in Takarékbank to a limited company also headed by Commissioner Vojnits that was registered in spring 2013.¹⁷

But as to who will win the most in the final hand, we would not even dare to guess. One might think that stature is built up slowly in the business world, and unless an explosive crisis lays waste to everything, then prudent business policies and good management can remain in place for a long time. But even in a peaceful global economic environment industry giants can sink within moments, and new, appointed potentates can emerge in whatever business the mafia state sets its sights on. Everyone (in this world) is a marionette puppet manipulated by a hand from above.

NOTES

¹ István Gárdos, "Lerohanás. A takarékszövetkezetek integrációja" [Invasion: The integration of the savings cooperatives], *Magyar Narancs*, 11 July 2013.

² Éva Várhegyi, "Ütésálló bankok. A válság hatása a hazai bankok versenyhelyzetére és magatartására" [Shockproof banks: The impact of the crisis on the competitiveness and conduct of domestic banks], in *Kaleidoszkóp: versenyhelyzet Magyarországon 2008–2009-ben*, ed. Mihály Laki and Éva Voszka (Budapest: Pénzügykutató Rt., 2010).

³ In other countries, the rate of the bank tax is not only much lower (the Austrian tax, for example, amounts to hardly one-tenth of the Hungarian one on a per unit basis), but affects income and not capital (in Germany, for instance, the bank tax rate is capped at 15% of annual profit). Éva Várhegyi, "A magyar bankszektor szabályozása és versenyhelyzete a válságban" [The regulation and competitive position of the Hungarian banking sector in the crisis], in *Verseny és szabályozás*, ed. Pál Valentiny et al. (Budapest: MTA KRTK, 2012).

⁴ Foreign currency loans denominated in Swiss francs, which have rapidly increased in value since spring 2010, have truly represented a serious problem for several hundreds of thousands of Hungarian households. The majority of them took out loans in the middle of the last decade at an average exchange rate of HUF 160 to the franc, while the market rate later rose to HUF 240 by autumn 2011. Act CXXI of 2011, which amended certain laws related to household protection, required banks to allow debtors to repay their loans at an exchange rate of HUF 180 to the franc if the debtors were capable of paying back the entire debt.

⁵ "CIB-tulaj: 'Magyarország rémálom'" [CIB boss: "Hungary is a nightmare"], *Portfolio.hu*, 12 March 2013, http://www.portfolio.hu/gazdasag/penzugy/cib-tulaj_magyarorszag_remalom.181049.html.

⁶ "Többet már nem bírnak el a bankok" [The banks can't take any more], *Origo.hu*, 26 July 2013, <http://www.origo.hu/gazdasag/20130726-heinz-wiedner-raiffeisen-tobbet-mar-nem-birnak-el-a-bankok.html>, "UniCredit: a magyar kormány a

- tűzzel játszik” [UniCredit: Hungarian government is playing with fire], *Napi.hu*, 27 July 2013, http://www.napi.hu/magyar_gazdasag/unicredit_a_magyar_kormany_a_tuzzel_jatszik.560474.html
- ⁷ Act CXXXV of 2013.
- ⁸ Zoltán Bán, “Mit szeretne a takarékszövetkezetektől a kormány? (Interjú)” [What does the government want from the savings cooperatives? (Interview)], *Portfolio.hu*, 28 June 2013, http://www.portfolio.hu/vallalatok/penzugy/mit_szeretne_a_takarekszovetkezetektol_a_kormany_interju.185929.html.
- ⁹ Krisztina Ferenczi, “Orbán barátjának takarékszövetkezete adhatott kölcsön a pályára” [The savings cooperative of Orbán’s friend may have given a loan for a soccer field], *Népszabadság*, 16 July 2013, http://nol.hu/belfold/20130716-fold_a_duna_penzen-1400377.
- ¹⁰ “Takarékszövetkezetek—egy hatalomátvétel története, lesben álló pénzügyi csoportokkal” [Credit unions—the struggle for power], *Galamus.hu*, 4 August 2013, http://www.galamus.hu/index.php?id=319068_takarekszovetkezetek_egy_hatalomativetel_tortenete&option=com_content&view=article
- ¹¹ This is in large part the result of the MNB’s policy of forcing interest rates down.
- ¹² Demján, following a strategy of diversifying his interests, long ago became a member of the “national bourgeoisie” and a business partner of the current powers, though not primarily because of his influence in the banking sector.
- ¹³ Like Demján, Csányi also has diversified interests, but because over the last two decades he has managed OTP, the country’s leading bank which is additionally also a key player in the region, he is considered the uncrowned king of Hungarian banking society. See Zsolt Bogár, “Csányi Sándor portréja” [A portrait of Sándor Csányi], *Magyar Narancs*, 18 December 2003 and 22 January 2004.
- ¹⁴ See: “Csányinak nem lesz zöldbankja” [Csányi won’t have a “green” bank], *Népszabadság*, 16 August 2013, http://nol.hu/gazdasag/20130816-csanyinak_nem_lesz_zoldbankja-1406885.
- ¹⁵ “Lázár: Csányi Sándor a legnagyobb uzsorás” [Lázár: Sándor Csányi is the biggest usurer] *Index.hu*, 12 August 2013, http://index.hu/gazdasag/2013/08/12/csanyi_a_legnagyobb_uzsoras/
- ¹⁶ See Péter Új, “Csányi Sándort Orbán Viktor ugratja” [Viktor Orbán has tricked Sándor Csányi], *444.hu*, 23 July 2013, <http://444.hu/2013/07/23/csanyi-san-dort-orban-viktor-ugratja/>.
- ¹⁷ Leonárd Máriás, “Trójai falovat toltak a Takarékbankba” [A Trojan horse has entered Takarékbank], *hvg.hu*, 19 July 2013, http://hvg.hu/gazdasag/20130719_Trojai_falo_a_Takarekbankban.

Iván Major

Utility Price Cuts and Sector-Specific Taxes in Network Industries

The petition opened with the question: “Would you like to pay 10 to 20% less for electricity, gas, water consumption, and sewage treatment?” “Of course,” replied millions of Hungarians. “Are you in favor of the government passing on Hungary’s accumulated debt to banks, telecommunications firms, and commercial networks by levying sector-specific taxes instead of reducing debt with your direct contribution, for instance by hiking value added tax on goods and services?” Once again, the reply was a resounding “Yes.” But if the following were added to the petition: “Do you accept that in the wake of the price cuts and sector-specific taxes suppliers will turn a loss and be compelled to cut staff, stall network development projects and, ultimately, reduce the quality of electricity, gas, water supply, etc.?” it would spark outrage. Likewise, if suppliers added on more and more charges to cover their losses, broad disgruntlement would certainly ensue. These questions and findings are not mere figments of the imagination, but the current reality in Hungary.

The utility price cuts undertaken by the Orbán administration in 2012 and carried out in several rounds affected areas ranging from energy to water supply and sewage fees, but also include government measures linked to foreign currency household loans. The most pronounced—and most popular—government price decisions have yielded energy bill cuts.

During the fall of 2014, the government announced the “third phase of utility price cuts.” Table 1 summarizes the official data on the completed rounds of price cuts.

Table 1

	2013 %	2014 %	Total %	Savings for the population (HUF billion)
Natural gas	20.0	6.5	25.19	139
Electricity	20.0	5.7	24.55	160
District heating	20.0	3.3	22.63	35
Total	–	–	–	334

Source: Hungarian Energy and Public Utility Regulatory Authority, press release, 18 October 2014.

The published data reveals that the price cuts resulted in savings of HUF 16,700 per capita per year. This figure, however, does not factor in the other rate adjustments made by suppliers in an effort to offset the negative impact of utility bill cuts. The utility price cut campaigns—and the accompanying government propaganda—are very likely to have substantially contributed to Fidesz’s electoral victories—in parliament, in the European Parliament, and in local elections—in 2014.

The Hungarian government credited itself with these price cuts, touting them as a victory against energy suppliers. In reality, falling prices across Europe are what really enabled them, as opposed to the Hungarian government’s efforts. Energy prices fell from Germany to Spain, through Austria and the Czech Republic without any intervention from local governments. The explanation is relatively simple: in recent years, governments have strongly subsidized alternative energy production using alternative energy sources such as solar, wind, and water power. This created a significant energy surplus in European markets. In addition, the upswing in shale gas production in the United States and in northern Europe only added to this surplus. Germany saw periods in 2012–13 when energy producers sold their output at negative prices because they would have been unable to store the accumulated energy reserves.¹ With its utility price cuts, the Hungarian government thus interfered with the energy market instead of boosting its efficiency.

Facts about Network Sectors and Public Services

It is common knowledge that the service sector, including everything from hairdressers to telecommunications, through boutiques and air travel, accounts for 65% to 75% of the workforce in developed economies, and

these sectors contribute to a similar extent to GDP, and are also on the receiving end of 60% to 70% of economic investments. Services are consumed by businesses, government or municipal institutions and households or individual retail consumers alike. The following section chiefly addresses the consumption of services by households and individual consumers, more specifically the **impact of utility bill cuts and sector-specific taxes**.

A large number of services are organized in networks, which partly stems naturally from the network-like character of their operating infrastructure (such as railways, telecommunications, or energy generation and distribution) and partly from the regional organization of services (such as the banking system and retail networks). These networks are generally very costly to build, while the cost of providing services based on the already existing networks is marginal. As a result, network industries attract a large portion of highly capitalized firms with resulting significant market power that, if unrestricted, would set such elevated prices that many consumers could not afford them. However, most developed countries believe that every citizen should have affordable access to these services. This explains their label—**universal services**—and why states and international organizations, such as the European Union, regulate their operating conditions, including the rates set by suppliers, the connectivity of network suppliers and the conditions of market entry and exit of market players. At the same time, these are mostly **public services**, meaning that the state endeavors to ensure their operation, either through public or private corporations.

The government regulation of network industries is not the only and oftentimes not the most effective form of price control. Instead, more developed countries and international organizations strive to establish conditions of market competition among suppliers in these industries, which is far more effective in controlling service prices and elevating service standards than state regulation. After 1990 Hungary started along this path by accepting and transposing within its legal system various European Union rules fostering the **opening of various service markets to competition**. The telecommunications market was the first to be opened, followed by energy services, postal services, and other network industries. But competition requires multiple players and the definition of just fundamental competition rules by the state to create a level playing field. After 2010 this process faltered as the government put certain market players at an advantage through individual interventions and arbitrarily intervened in markets from time to time.

The high capital requirement of network construction and developments explains why economically less developed (i.e., less capitalized) countries involve the suppliers of more developed nations in their network development. Telecommunications, energy services, local and long-distance public transport, water supply, as well as financial services are domains where advanced economy corporations are sought out globally for their involvement in development. These large corporations often become major suppliers through privatization or what is referred to as greenfield investment. At the same time, it is clear that some countries opt to regulate corporations in various areas of the market. The 2007 international financial and economic crisis saw a sharp increase in governments' regulatory efforts, which often breached the limits of sensible intervention.

Price Controls

Public service price controls play a prominent role in the government protection of consumer interests from suppliers wielding far greater market power and influence. The restriction of service prices from above, referred to as a "**price cap**," is a common and long-used form of governmental price control. Price ceilings typically enforce two factors: first, they enable suppliers to adjust their prices to general price levels (that is, inflation), allowing them to pass on price increases in their own service rates. Second, the regulator incorporates a productivity factor into the formula used to determine prices. This productivity factor generally reduces the price calculated by suppliers, prompting or forcing them to boost service efficiency and productivity, thus lowering consumer prices.

A moderate form of state regulation of public services emerged in Hungary during the political and economic transition and currently operates according to principles and methods jointly devised by European Union member states. Consistently with the EU's regulatory principles, the main objective of sectoral regulation over the past two decades has been to open these service areas to market competition and to **restrict the market power of suppliers by fostering competition**. However, 2010 brought about a turn of events: the government started resorting to arm-twisting instead of regulation. The **stationary, fixed nature of network industries gives the government a greater hold over these suppliers** compared to

the agricultural or industrial production sectors, or compared to more mobile services such as online commerce or business and economic consulting.

Utility Price Cuts

On the face of it, the utility price cuts implemented by the Orbán administration in the areas of energy distribution, water supply, and household waste collection seem to be driven by similar principles as price cap regulation outlined above. The announced utility price cut scheme restricts suppliers' prices from above, allowing the government to tout itself as a protector of consumers from dominant network industry players. In addition, utility price cuts can spur suppliers to boost their operating efficiency and curb their expenses in order to counter the imposed lower prices.

However, utility price cuts and network industry price controls are two very different animals. The first key difference is that while price controls are based on predefined principles and price-setting rules designed for the long term, enabling suppliers to incorporate them into their business decisions, **utility price cuts stem from ad hoc political decisions**. Thus the underlying economic rationale of utility price cuts remains opaque for both consumers and economic analysts.

Hungary and other formerly communist countries have already seen "utility price cuts" much earlier: starting in 1948, the Hungarian state radically slashed the price of various public services, including telephone services, local and long-distance public transport, and energy and water supply, sewage and waste collection, and also introduced free education and health care. The consequences are all too well known. Retail consumers had to wait fifteen years on average for the installation of a telecommunications line, interruptions in energy supply became frequent, and shortages plagued more and more public services.

The other key difference is that while price controls restrict suppliers in setting their prices, they do not pit the producers of services against their consumers. Price controls are aimed at simultaneously increasing the welfare of both producers and consumers, in other words, to increase consumer welfare by limiting prices without impinging on producers' profit-generating capacity. Smoothly operating services in the long run are one of the fundamental criteria of supplier profitability, which can in turn be

channeled into network developments and technological and business structure modernization, ultimately serving consumer interests as well. By contrast, while on the face of it utility price cuts serve consumer interests, they in fact do more harm, as suppliers are pushed and compelled to decrease service quality and hike supplementary service charges.

Incentives to decrease quality are nothing new. Even analysts of price cap regulation have recognized that excessively strict top-down restrictions push suppliers to decrease service quality in an attempt to curb expenses and maintain sufficient earnings. This recognition led to the emergence of the “principle and method of price setting based on long-term costs” in Hungary, the European Union, and other advanced economies worldwide. This enables and also requires suppliers to present and incorporate, following approval by regulating authorities, the actual costs incurred by service production into prices. Although cost-based pricing is not entirely devoid of problems—with some suppliers attempting to convince regulators of higher than actual costs, having far more information about their own actual costs compared to the latter—the concurrent use of cost-based and price cap regulation is generally conducive to harmony among consumer and supplier interests. By contrast, utility price cuts create no such harmony.

Sector-Specific Taxes

The matter of sector-specific taxes levied in various public service sectors such as telecommunications and the energy industry are closely tied to utility price cuts. The passing on of exchange losses incurred by foreign currency debtors to banks also falls within this category. The knowledge that taxes (in particular, ad hoc taxes) distort market prices and can wreak havoc for consumers and producers alike, i.e., society as a whole, is basic economic knowledge. This holds especially true for sector-specific taxes. Sector-specific taxes are unpredictable and dent firms’ earnings in a way that is not aligned with their normal operation. Sector-specific taxes and utility price cuts have pushed several firms in Hungary into the red over the past two years. Sector-specific taxes also spur suppliers to deviate from the market’s rules of the game and to play a shell game. If firms, including banks, feel that the government is suddenly siphoning off their proceeds with sector-specific taxes and utility price cuts, ignoring reasonable economic consider-

ations and unafraid of seeing them incur losses, it should come as no surprise that the affected companies adopt increasingly less elegant methods to remain afloat. In other words, they are not loath to pass on losses to consumers, for example, by scaling back service quality. **What therefore appears to be seemingly a benefit of utility price cuts for consumers is ultimately a loss for them**, making the situation worse than it was before the measure. Taxes and other state interventions on the market thus do more harm than good for consumers. A far wiser approach requiring fewer economic sacrifices is direct state aid provided to those in need.

As mentioned above, suppliers from advanced economies often play a pivotal role in the public services of less developed countries, including Hungary. Mass privatization and the sale of service rights to foreign suppliers in Hungary occurred in the field of telecommunications in 1993, in the energy and banking sector in 1997, and in the water supply sector through the 1990s. The opening of public service sectors to foreign investors saw a significant spread of services and a pronounced rise in service standards, along with and despite all the negative ensuing side effects. The appearance in a country's network industries of highly capitalized foreign suppliers, wielding substantial market power and oftentimes political clout, is always riddled with problems. Countries and their sectoral regulatory bodies can easily fall prey to these powerful corporations. This threat is countered if a country is part of an international organization that enforces general regulatory principles and practices among its members. As a European Union member state, Hungary enjoys such protection, as all network suppliers are required to adhere to regulatory principles and requirements valid across the EU.

Why Can Network Industry Players Fall Victim to Bullying?

A key feature of network industries is that network infrastructure accounts for a large portion of total service costs and thus **infrastructure is fixed**, and so services cannot be moved from one national market to another. Although relocating a car or washing machine manufacturing plant from one country to another entails huge costs for the owners, it is nevertheless feasible, as shown by the many foreign investors that have decided to leave Hungary and relocate elsewhere. For network industries, such a step would result in the total loss of investments and the acquired market. **Con-**

sequently, **network industry firms are much more easily bullied** compared to their peers, who can leave unprofitable markets with far lower losses. Utility price cuts and sector-specific taxes take advantage of this Achilles' heel. This, however, is a double-edged sword, as they can also exit the market in the long run by scaling back or entirely suspending network maintenance, forgoing modernization and increasingly reining in current expenditures. The result: waning service quality, falling employment in most services, and, ultimately, poorer economic performance. By bullying foreign suppliers by using utility price cuts and sector-specific taxes and pushing them into the red, regulators and the government backing them might also possibly be **trying to squeeze them out of the Hungarian market**. The Orbán administration has alluded to plans to give Hungarian banks majority ownership of money markets, pushing aside or entirely squeezing out foreign banks from the Hungarian market. Similar concepts emerged with regard to foreign energy and water supply companies, as well as large supermarket chains. Most recently, news reports gave account of the Orbán administration's plans to create a new Hungarian gas supply company and to elevate it to dominant position using public funding.² If foreign suppliers could be kept in the red for long enough, their market value would fall and their infrastructure and markets could be **acquired at a relatively cheap price**. The question is what type of corporations would take their place, and more importantly, whether they would be able to maintain service standards and reliable operation in the long run.

Redistribution of Tobacco Shops

A unique commercial network has recently garnered public attention: tobacco shops. In the past, tobacco products were sold at grocery stores, bars, and gas stations, alongside of specialized shops. In one fell swoop, **the right to sell tobacco products (concessions) were taken** from these outlets and **redistributed by the government in the context of a non-public tender**. The ideology of the tobacco shop tender was based on protecting minors, claiming that the tinted-window retail units geared toward adults aged eighteen and over would discourage minors from smoking. The tobacco shops, clad in "brown shirts," have proven incapable of fulfilling this noble task. Sweden attempted to curb alcohol consumption by restricting the sale of alcohol to Systembolaget, a chain of state-owned

liquor stores with storefronts concealed behind curtains coupled with a sharp hike in alcoholic beverage prices. In response, Swedes flocked to Finland where they could easily and cheaply buy alcohol.

The **temporary nationalization and transit nationalization** of the tobacco trade, followed by the redistribution of commercial rights, can be regarded as an example of the Orbán administration's temporary renationalization and re-privatization concept for network industry firms. The disclosed information on the tobacco shop tender revealed that the new concession holders were selected through an opaque procedure but clearly from among those close to the ruling regime. Many people lacking any prior tobacco trade experience or professional know-how were granted tobacco shop concessions. While the government shored up new tobacco shop owners financially, it simultaneously snatched away the single source of revenue from thousands of families. This holds particularly true for small localities. While the redistribution of tobacco shops harkens back to the Hungarian Working People's Party, Hungary's ruling communist party, and its mass expropriation and subsequent redistribution of property to circles close to the party between 1948 and 1950, and the appointment of "worker cum managers" to the helm of expropriated factories, the latter did not gain ownership of the expropriated property, and were merely its unprofessional operators.

This begs the question of why the Hungarian government chose the tobacco trade in particular as the target of its coercive intervention. The economic aspect is obvious: tobacco products are **price insensitive goods**, so smokers will continue buying the same amount even if the prices rise steeply. A tobacco shop is thus a source of stable income that many dream of, especially if the government itself drives prices upward. The same applies for alcoholic beverages. According to the latest reports, the government plans to hand out liquor store rights to a lucky chosen few, not only reinforcing its own political clientele, but also creating the infrastructure for siphoning off the generated revenues.

The Rationale behind Utility Price Cuts

Based on what criteria can utility price cuts, sector-specific taxes, and the revocation and redistribution of concessions be regarded as rational, i.e., advancing the objectives stated explicitly or implicitly by the incum-

bent ruling party? The measures are surely not rational by any economic criteria. Although the government can bully and levy crushing taxes on network industry players, running a smaller short-term risk compared to other sectors due to their stationary character, the financial gain thus achieved comes at a high price. For one thing, suppliers will do all they can to pass on higher costs to consumers and will also be forced to scale back the quality and quantity of their service, ultimately hurting the entire economy. In addition, the measures yielding apparent savings for consumers may possibly only be upheld for a temporary period, with the government subsequently handing back the revenues taken from suppliers following an electoral victory. The damage done is not only short term. The measures substantially dent Hungary's international economic standing, reflected in waning foreign direct investment and the departure of foreign investors. The economic opportunity cost should also be factored in among the damage done. Let us assume that the government succeeds in coercing foreign network industry suppliers to sell their invested assets to Hungarian investors at depressed prices. The reputation and international recognition of foreign banks, telecommunications firms, and energy suppliers, however, would not be transmitted automatically to the new owners. Rebuilding reputation and recognition can take long years for the new owners, if it is at all possible. Achieving the international acceptance of these newly created Hungarian suppliers is therefore cardinal, as network suppliers are closely intertwined with the global networks, despite operating on clearly delineated markets. Energy suppliers operating in Hungary would be unviable without their ties to international energy transportation networks and the energy suppliers of neighboring countries. The Hungarian money market would dry up without local banks' ties to international flows of funds and credit. Lack of trust by global network players in Hungarian suppliers—not implausible if their existence depends on the government's whims—could result in, and even lead to, their failure.

If we look beyond economic criteria, it is clear that Fidesz and its government expect political gain from utility bill cuts and sector-specific taxes, and not without reason. **The lion's share of consumers only sees the direct financial benefit of utility price cuts, without giving any thought to the potential consequences that will ultimately impact them in the future.** The ideological campaigns led by Fidesz and the government against network suppliers justify the sector-specific taxes levied on the

companies in the eyes of many citizens. This holds especially true for banks, but **hostility against other network industry service providers has also been instilled**. Riding the momentum of the negative sentiment generated by it, the government is posing as the savior of Hungarian citizens and their protector against multinational suppliers.

In the wake of the 2008 international financial and economic crisis, economic policymakers and economists worldwide were unable to find the path to recovery, amid great confusion and perplexity. No acceptable and plausibly successful solution was found, opening the way for rational thinkers, but also charlatans and political soldiers of fortune. Animosity against banks and other financial institutions was globally stirred up and could easily be diverted against other sectors, especially ones populated by corporations wielding significant market power.

The Orbán administration adroitly identified the political opportunities within the international economic chaos. It was able to cite the need for extraordinary, unorthodox government measures during times of crisis. These include steps that European market economies resting on democratic foundations would consider inadmissible—under normal circumstances—for both themselves and countries within their community. The Orbán administration could also count on the European Union and the euro area crisis to act as a diversion for influential EU member states from dealing in depth with developments unfolding in Hungary. Seeing that protectionist, xenophobic, and pro-intervention efforts were garnering increasing support and acceptance all over the European Union, it allowed itself to engage in emotion-driven politics. And when it wanted to play the role of the EU's perfect child, it paraded the required budget deficit figure.

A string of arbitrary government interventions—such as utility price cuts or sector-specific taxes—and government decisions serially ignoring the rules of market economy—such as the unexpected revocation and redistribution of concession rights—severely erode economic players' trust in the government, call into question the credibility of public institutions and damage the economic ties between players. **Reliability, credibility, and cooperation serving the mutual interests of stakeholders are replaced by economic behaviors based on coercion, bullying, and fear-mongering**, far more reminiscent of **mafia methods** than those of economic behavior in a democratic political setting.

NOTES

- ¹ A unique—and not particularly beneficial—consequence of this substantial energy surplus was the nosedive of carbon dioxide emission quotas on international emissions trading markets, which in turn caused an upswing in the energy output of coal power stations, which actually countered the spread of alternative energy sources.
- ² This company, FŐGÁZ, has been established in the meantime.

András Deák

Captured by Power: The Expansion of the Paks Nuclear Power Plant

Prior to discussing the expansion plans of the nuclear reactor facilities in Paks, it would not hurt right at the start to identify the issues under debate. At the beginning of January 2014, the agreement signed by Viktor Orbán and Vladimir Putin at a meeting in Moscow elicited considerable public debate. This debate, however, was quite fragmented. It was not so much the cacophony of genres, or the cavalcade of domestic, foreign, or energy policy arguments, or the ideological or visceral viewpoints that were most striking, but rather **the unstructured nature of the debate, and the divergent nature of the questions asked by those debating the subject**. Two basic questions should be separated at the outset: First, what kind of energy policy options are there, and how well-founded is the Paks expansion plan in a technical sense? Is there a need for it? Second, what aspects guided the government, and within that the premier and his inner circle, in making this decision?

It appears quite likely that the answers to both questions, though they overlap each other, are almost certainly dissimilar. But even if a well-intentioned policy conviction led the Orbán cabinet to Moscow, **the timing requires an explanation**; namely, why it was done three months before the national election, and in the final stages of the campaign, when one would think that their strategic objective would be instead to avoid risks? The conservative base of the electorate has formed the Russian-skeptic pole of the Hungarian political spectrum for the past twenty-five years and has been one of the most militant representatives of a critical attitude in

this regard. By comparison, the nuclear agreement was a bolt of lightning out of the clear blue sky, without any kind of communication to prepare for it. In the fierce competition that exists between parties, a political force can certainly not venture such a risk prior to an election. Nor is it clear why Fidesz, which until then had consistently avoided tackling long-term megaprojects that only offer benefits in the long run, suddenly committed itself to the largest investment project possible, and about which the media would only report in terms of corruption scandals, problems, and, potentially, its termination. If the party starts to decline in the next few years, it is virtually guaranteed that the project will be a gigantic burden around Fidesz's neck.

The question is worth examining not only in its narrow policy dimension, but also in terms of political power. However, this requires an overview of both issues: energy policy options and political considerations. As will be shown in the present study, the answers to both of these questions are neither black nor white. In terms of energy policy, there are strong arguments for maintaining the nuclear option as well as not ruling it out completely. The most that can be argued against unconditional support for the decision is that either the nuclear option is being considered without any alternative, or that it has been placed far into the top ranking in the order of priorities, which also makes it inconsistent with the government's public strategy of having a diversified atomic/coal/green energy program. Although it is very likely that serious deals were made in the background, it can be difficult in a political sense to prove the operating logic of the "mafia state" in a useful way in such cases. To do this, one would have to be able to prove that those in the Fidesz inner circle consciously asserted their own private self-interests through a state-level agreement that they also consider bad for society. Although the presence of self-interest is almost guaranteed in a project of this size, in truth it seems much more likely that there is a background deal that is also beneficial for the country on a macroeconomic level, or at least one that partially offsets the possible negative consequences of the Paks expansion, and which will soon become evident. In so doing, this helps the regime, among other things, maintain itself and increase its reproduction in a political sense for the 2014 elections and beyond, while the negative risks that emanate from the agreement will manifest themselves only much later.

Energy Policy Considerations

In 2012, the Paks power plant generated 45.9% of the gross electrical power produced in Hungary, and 37.3% of its total consumption.¹ This is a sizable proportion, and there is absolute professional consensus on the view that **the country's biggest long-term issue regarding energy policy is the replacement of these power plants after their expected end of life in the 2030s. Three possible options** exist as partial or total alternatives: natural gas, renewable energy, and electricity imports. Any alternative must satisfy an absolute condition, as well as one that is less stringent. First of all, it has to be suitable in all circumstances to supply predictably and securely the base load power plant functions that will be lost due to the eventual shutdown of the Paks facilities. Secondly, it should not drastically increase Hungary's emission of greenhouse gases (GHG). As the extent to which this is possible is unclear, Hungary could even increase its carbon balance deficit significantly while still complying with the spirit of EU efforts. In this regard, it is worth clarifying that **status quo considerations, understood in their strictest sense, argue in favor of nuclear energy.** A disproportional reduction of its share, or totally eliminating it, would require a complete rethinking of the entire Hungarian power grid and overcoming one or more taboos in energy policy. This is not the worst thing that could happen, but would nevertheless require lining up a significant amount of policy support. A solution of this type would be novel, naturally carrying significant risks, and no such alternative has been developed yet. The rather heterogeneous opponents of the Paks expansion would need to produce an integrated, alternative solution, which would clearly be more difficult than sticking with the usual approach. In this respect, it is understandable that there is strong support for nuclear energy from industry and the government, and that renouncing it completely would be considered an utterly heretical idea.

The **possibility of physically importing power** within the unified European market is growing. Due to favorable price conditions, Hungary also doubled its share between 2007 and 2012, with an increase from 9.1 to 18.8%.² At the same time, it has policy restrictions and carries significant risks. From one side, the logic of every country's energy security and its network balancing makes it wary of becoming excessively dependent on imports, since the systems operator is unable to ensure the supply in such

cases. The country would also be unable to effectively handle the consequences of a power outage and would not avoid the sizable losses to the national economy that would accompany it. In this case, the regulation of the entire electricity market and reserve capacity requirements would have to be reconsidered. The other key factor is **price risk**. Although Hungary is obviously poor in resources, which makes domestic power generation invariably expensive, there is great uncertainty regarding future liquidity and price conditions in the international market. Electricity is extremely cheap at the moment, which is partly due to the crisis, and partly to the increased production of subsidized renewable energy. However, nuclear and coal-fired power plants built after the 1973 oil crisis will superannuate at an increasing pace starting in the 2030s, with the impacts of this on capacity only exacerbated by the current low prices and low investment rates.³ Thus, a Hungarian market with a high import rate would also be forced to suffer the expected volatility and higher price conditions found on the European market.

Apart from the security of its supply, natural gas is an ideal raw material for the electricity market. In terms of system operation, it is competitive when compared with other solutions, as it has the most flexible production schedule, plant construction is the least capital-intensive and carries the lowest risk, it gives off the lowest GHG emissions among fossil fuels, and the modern Combined Cycle Gas Turbine (CCGT) power plants are highly efficient. Natural gas is an established fuel on the Hungarian market, there is ample infrastructure for it, storage capacity is sufficient to offset any possible shortfalls, and in an extreme case, there is enough place for storage to last up to a year. Due to its relatively small unit size, the technological risks are also low. However, both because of the explosion in oil prices since 2003 and **the supply risks from Russia and Ukraine, natural gas has become a primary target for diversification in Hungary.** In actuality, there is no natural gas lobby in Hungarian policy or political circles, and it is regarded as an unavoidable evil on the regulatory and lawmaking side as well. The National Energy Strategy, adopted in 2011, aims to reduce its share as an energy source by making the “independence from dependence” concept one of Hungary’s policy goals.⁴ This makes it harder for gas to become more prevalent, and largely excludes it from emerging as a large-scale alternative on its own merits.

The greatest uncertainty and debate occurs in connection with **renewable energy sources**. To generate electricity in Hungary, it is primarily

solar and wind energy that could be produced at a sufficient level to make it worth replacing a significant proportion of nuclear power. The advantages of renewables are that they have no GHG emissions, and their production could be collectivized and decentralized, if appropriate, and may even occasionally also be developed using EU funds. Their disadvantage is that **these technologies are still not competitive at present** and require government subsidies. An even greater obstacle that looms over their adoption in the long run is that their production is non-dispatchable, but depends on the number of hours of wind and sunlight. Therefore, parallel with an increase in their share, their ability to integrate into the electricity grid steadily deteriorates, which is inherently problematic for the primary power plant sector.⁵ This increases system costs for two reasons: it requires significant improvements in the transmission network, which has logically been sized for peak production, and consequently has a much lower utilization rate than conventional power plants that run on a dispatchable basis (in colloquial speech, it uses more wires for the same amount of electricity); it requires much bigger reserve capacity in the generation sector, typically natural gas-fired plants, to keep the network balanced and compensate for potential shortfalls in solar and wind energy. Above a certain level, these items largely offset the cost savings that result from technological development and form a serious obstacle for renewable to become dominant.

Hungarian energy policy is currently dominated by an extremely conservative position, one that almost completely disregards the role of renewables. Although the National Energy Strategy envisions even more dynamic growth in this area, the present government has been unable to enact another system of renewable feed-in tariff (METÁR) over the past four years to replace the previous financing mechanism that was scrapped in 2010. In its capacity development plan up to the year 2030, the Hungarian transmission operator (MAVIR) actually rules out increasing the proportion designated for renewable energy, predicting primary renewable capacity of 521 MW by 2018 and 773 MW by 2030. This is a lower amount than the capacity generated just from solar cells installed in Bulgaria or the Czech Republic alone in 2013.⁶ This attitude is inconsistent with the trend not only European-wide and in Central and Eastern Europe, but also globally, and is clearly unsustainable, as real life will override it. The current practice is to reduce utility prices, which stems from a desire to keep electricity prices low, industry policy considerations (there is no engineering capacity for renewables in Hungary), and the attitude of an extremely con-

servative regulatory system. And it is exactly this strong, multifactor resistance that makes it exceptionally difficult for renewables to expand their presence in Hungary.

From the above, it follows that **precisely because the share of total electricity generated at Paks is so dominant, it would hardly be possible to replace this capacity from just a single different fuel source.** Apart from the obvious resistance from narrow policy considerations, there are also technological reasons for this. A combination of power imports, gas, and renewables could pose a serious alternative to the construction of two new nuclear units, or at least one of them. Arguments in favor of such a solution are that the risks would appear more diversified, it could alter the pace of replacing the old Paks units, and the changeover process would be more flexible and adaptable in an uncertain international environment. At the same time, coordinating the needs of policy and politics would obviously be difficult, and the process would be less politically controllable and transparent—if this needs to be a consideration at all under normal circumstances.

One of the fundamental shortcomings of the Paks expansion is that, even on the policy level, plans for any alternative solution have been ruled out. Energy policy discussions have been dominated by the “Paks only” argument. From the start, the issue of finding a substitute for the facilities in Paks to be decommissioned has not been about finding alternative combinations, but rather about “expanding Paks.” A resolution passed by a large majority in parliament in 2009, which at that time was still under the government of Ferenc Gyurcsány,⁷ also raised the issue in this form instead of mandating the state to consider alternative solutions. Oddly enough, it was precisely the Fidesz government with its redraft of the National Energy Strategy that has come the closest to thinking through this issue from several different aspects. But even then, they drew up restrictive terms based on conservative principles that promoted a positive assessment for a Paks expansion. To this day, this analysis and its appendix by the Regional Centre of Energy Policy Research (Regionális Energiagazdasági Kutatóközpont [REKK]) is the only official impact study that outlines the problem in its entire complexity.⁸ However, **not even the National Energy Strategy 2030 plan was committed to enlarging Paks definitively**, but because of its eclectic nature, it did include references that later communication efforts from the government could cite to bolster its position. All in all, there is no doubt that from 2009, and especially from 2011, government

policy displayed behavior that hinted at such an investment, although until the very end of 2013 it was not unambiguously stated that it would undertake this project on these terms in the near future.

Russian Relations and the Paks Agreements

It was nearly inevitable that the Russians would get the contract for a nuclear power investment in Hungary. The list of nuclear suppliers is not that long to begin with. In addition to Rosatom, other options could have been the French-based Areva, the US-and-Japanese-owned Westinghouse, or perhaps a few smaller South Korean or Canadian suppliers. On an international level, Rosatom is just as acceptable as its competitors. It is not only active in Russia, but also presently building roughly a dozen units in China, Vietnam, India, Turkey, Belarus, and Ukraine, and is actively negotiating on a number of facilities to be established elsewhere, some of them within the EU, such as in Finland. Unlike its competitors, however, it has a significant advantage: the Russian government can provide a loan for the majority of the investment.

Since energetics is a capital-intensive industry, in economic terms every power plant operates with two “fuel sources,” one of which is capital. For nuclear power investments, this makes up the majority of the costs, close to 60% (out of the remaining 40%, the price of nuclear fissile material is minimal, but the relatively large staff, for example, is a major non-capital expense). Accordingly, it is that price, the cost of capital funds, which in this case is the loan’s interest rate that basically determines the return on investment. It is not by chance that most nuclear suppliers apply for tenders together with a loan scheme of some amount. But while this amount would be low with Areva or Westinghouse, and favorable loan rates set by the cooperating banks would also reflect the levels of market risk, **the standard Rosatom loan offer covers the bulk of the project**, and the interest rates offered by the Russian budget are not tied to market rates. In Hungary’s case, the Russian loan covers 80% of the projected costs, and although the negotiated, tiered interest rate between 4 and 5% does not appear to be cheap compared to current rates, it is fixed, however, meaning that it is immune to changes in the international supply of capital and Hungary’s credit risk rating. The significance of this latter point is understandable if we consider that Hungary’s borrowing costs have traditionally

been higher than those of the other countries in the region. Moreover, this loan is being granted at a time when interest rates set by US and European central banks are at their lowest point, but will undoubtedly rise over the next thirty years, raising the expected borrowing costs for any alternative financing solution as well.

Lacking such a loan scheme, the total cost of the project, around **€12.5 billion** (roughly HUF 3.8 trillion at current exchange rates), would have to be procured from either internal resources or external credit markets, the bulk of which is being constructed, largely over a ten-year period that starts at the end of the 2010s. If the budget were to bear this entire amount (through a more market-friendly solution with at least a part of the total sum incorporated into the electricity price, though this was ruled out by the government), then it would increase the deficit/debt as a share of GDP by an annual 1.3%. While this or a combination of different financing solutions does not seem to be unbearable for Hungary, it is obvious that there would be pressure to make budgetary adjustments. Otherwise, if Hungary's foreign currency debt, which stood at around HUF 10 trillion at the beginning of 2014, was increased by some 40% on the government bond market, then this would very likely drive up its borrowing costs. The Russian loan for the project **spreads out this burden, and €10 billion of the €12.5 billion, over a period of nearly thirty years**, with repayments occurring during the plant's operational life. If such an offer is combined with favorable interest rates, then it is preferable to a market-based solution for any client similar to Hungary.

The Hungarian government evidently focused on interest rates during its negotiations with the Russian side on the loan, and the results cannot be considered unfavorable. However, the two documents publicly available when the present study was written, **the Intergovernmental Agreement⁹ and the Loan Agreement,¹⁰ contain a few anomalies within.** One of the most important of these is that when the loan agreement was signed, a supply contract was neither concluded at that time nor later. There is still no knowledge of this latter agreement, so the critical management risks for nuclear power investments and those who bear responsibility for them are unknown. Thus, the Hungarian side will have an inherent disadvantage when these are negotiated. In case of any work stoppage, the whip will ultimately crack on the Hungarian party, since the loan installments provided to Hungary will already be incurring interest regardless of the construction schedule and the date of transfer. Nevertheless, a supply contract that pro-

portionally shares the risks can still be concluded, but Hungary's negotiating position for this will be less favorable.

Matters of a regulatory nature occupy a prominent place among the many risks, with the **EU permit process** being one of them. Here, in addition to the omission of a tender and the competition control aspect of the financial package, there are a number of nuclear security issues that could cause the permit or construction process to get blocked at the European Commission level or at other levels. "Fortunately," a considerable portion of these occur in the initial investment phase, when the amount of the loan provided to the Hungarian side is not yet high. However, EU regulation issues are not provided for in the contracts, even though it would be enough to have a single sentence in each stating that their provisions are governed by EU law. Without this, the Hungarian party obviously takes these issues upon itself to resolve, which could easily lead to it assuming an extralegal status. If Brussels halts the investment on any issue, the onus is on the Hungarian side to renegotiate the matter in Moscow. In comparison, the agreement for Hinkley Point C, a similar English–French nuclear power investment, included a clause that the contractual arrangement would be invalid if it were not approved by the European Commission. Oddly enough, this is not the first time that Hungarian politics has ended up in such a situation: an intergovernmental agreement signed by the Gyurcsány government in February 2008 regarding gas pipelines for the South Stream project also conflicted with EU law on several points. Of course, one would hope that these questions will be resolved before they manifest themselves, yet it is exactly this case which proves that serious risk factors can persist even over the longer term.

Similarly vague is the article in the Loan Agreement on dispute settlement (Art. 11). It does not incorporate a mechanism for international arbitration, so the two parties would have to come to a mutual understanding in case of any dispute. The latter is complicated by Article 5(3) in the contract, which states that if the Hungarian party is in financial arrears for over 180 days, then Moscow is entitled to ask for an immediate repayment of the total unpaid debt in a lump sum. As the Hungarian side would obviously be unable to fulfill this condition, **the Russian party would therefore always have the upper hand in any dispute resolution procedure.** This could theoretically be somewhat rectified through a dispute resolution mechanism in the supply contract, but would not be able to remedy it completely. The Loan Agreement always takes precedence over the other con-

tract, as it provides for the money. The combination of these two points in the contract actually makes it more difficult at first, and then rules out at a fairly early stage the possibility of the Hungarian party exiting the project if the Russians do not want them to.

Obviously, a large portion of these contractual deficiencies could have been filtered out if the talks had not been conducted in total secrecy, at a forced pace, and closed off to the competent public administration bodies. A public tender process or a longer, more open negotiation style will usually detect and correct many of these risks. However, the Fidesz government is no stranger to this secretive style of operating, and has conducted many other codification activities in the same way. It should be noted that arrangements for the previously mentioned South Stream agreement in February 2008 were similarly conducted in secret, with only top government officials formally involved. It appears, therefore, that this technique typifies Russian–Hungarian relations at least as much as the activities of the Fidesz government.

However, a more institutionalized alternative would have effectively shared these risks without requiring the Hungarian party to negotiate them in detail. Namely, either offer a minority stake to the Russian side (even with an option for Hungary to buy it out later), or allow the Russians to retain full ownership of the project and provide a guarantee to purchase the power it generates. In both cases, the contractor bears the majority of the management risks, considerably reducing the risks on the Hungarian side. At the same time, this also means that the Hungarian side would receive a smaller loan, and that winning construction contracts would be more difficult, or that it would receive fewer of them. In addition, it would obviously have been necessary in the latter case to be able to set future electricity prices, which will naturally be much higher than they are today. Thus, it would have revealed that the “emperor had no clothes,” **and that nuclear energy did not fit in with the utility price cutting process**,¹¹ which was unacceptable from the point of view of government communication efforts. Finally, such a solution is counter to the trend in the Hungarian energy industry toward renationalization, and from a foreign policy standpoint is also more troublesome than the solution that was reached. Nevertheless, viewed solely from the perspective of ensuring the successful implementation of the project, the present solution is a less favorable one; it is not by chance that the Finnish Fennovoima consortium also insisted that Rosatom have a one-third ownership stake in its project.¹²

Political Power Considerations

For political reasons, investing in nuclear power is quite rare in modern democracies. It requires government involvement in nearly every case, and only causes scandals, untold expenditures and suffering for a good ten to fifteen years. These are huge, **slow-moving political targets for any political opposition at any time**. Likely a significant share of the population, but definitely a few smaller, active groups will begin to protest. By comparison, as opposed to those who would support hosting the World Cup soccer tournament in their country, for example, the number of nuclear energy fanatics, a significant share of the voting-age population who would visibly support the use of atomic energy through fire and water, is barely detectable. In a constantly shifting political landscape, **there is virtually no chance that the politician who makes the decision will be able to open the facility officially**, cut the ribbon, or benefit from it in a political sense.

This is exactly why two reasons and strategies present themselves to politicians who undertake such a project. One is the attempt to **share responsibility** with other political and social forces, thereby diversifying one's own risks. This was far from Fidesz's intent, as it would have assumed cooperation with other political forces. Although on the level of communication they actively "referred back" to pronuclear statements by previous governments, in reality the signing ceremony in Moscow on 14 January occurred in the presence of Viktor Orbán, granting him full political responsibility for the project. The other possible strategy is the **short-term gains that accompany the undertaking of the project**, which offset swallowing the bitter political pill. This may have been expected, as the contractor was also aware of the political difficulties of accepting the project, which is exactly why it was empathetic to the reservations of the client to the maximum extent possible. The Russian loan and the promised 40% share for the domestic subcontractor were obviously such concessions, offered by Rosatom as standard procedure.

But it is precisely because of their standard nature that it is unlikely it could only have been about these benefits. The Paks expansion represented a very serious turning point for Fidesz: it committed itself to a large, "politically toxic" investment project, emphatically renounced its previous reservations toward the Russians, and did it all in the midst of an election campaign. In fact, Vietnam, Belarus, India, and Ukraine also signed the same

kind of agreement, so the Hungarian side could have signed something similar in the second half of 2014 without further ado. So it is much more probable that either the matter was urgent for Orbán, or the Russians had already offered the concessions, for which they insisted that the contract be signed before the elections.

Obviously, these are all speculative assumptions and hypothetical reconstructions of certain elements of what really happened. **The government itself has denied the existence of any kind of backroom deal**, a communication strategy that was not at all inevitable. After all, it had previously intended to solve the issues plaguing Hungarian–Russian relations in a single “package,”¹³ and in this case it could even have communicated a plan for “two reactors, plus this.” Yet, it is possible that it was not able to communicate the backroom deal, or the government simply did not find it politically expedient to tie the two affairs together publicly.

Primarily facts support the view that since October 2013, prior to the announcement of the Paks expansion, **Gazprom has provided concessions that are larger than normal for Central and Eastern European countries, in regards to both the import price and the no less important, so-called take-or-pay obligations** to the Hungarian side. The long term supply contract with Gazprom along with the wholesaler company just had been bought a few weeks earlier from E.ON by state-owned MVM.¹⁴ This transaction is valid until the end of 2017, and can be extended for another year.¹⁵ Such concessions are not insignificant in view of the roughly HUF 500–550 billion of annual turnover within the context of the natural gas agreement during the 2012–13 period, and represent several tens of billions of forints of financial relief to MVM that can even have macroeconomic repercussions.

The importance of this deal is heightened by the Orbán government’s utility price cutting policy, as well as the price tensions in the natural gas sector that result from this. After coming to power, Fidesz almost immediately decreed a moratorium on both residential electricity and natural gas prices. But while international prices for electricity stagnated or fell slightly between 2010 and 2013, and both nuclear production from Paks and a rising import ratio allowed the cost of purchasing electricity to decrease, international import prices for natural gas rose during this period. For example, import prices for German natural gas increased by an average of 34% in three years.¹⁶ After 2010, before the utility price cutting began, the Hungarian Energy Office resorted to serious fudging to enforce this on the

cost side of the value chain, including using regulation significantly limiting the wholesaler's profits on imports. So by taking over the gas contract from E.ON, and with a further, second 10% reduction in utility prices during the election campaign, the Orbán government would have burdened this public company with a significant loss, and in a sector already rife with price tensions. E.ON had a strong bargaining position, as it hardly would have been willing to cut prices with Gazprom if the government was planning to extract its profit through regulation. Thus, the Orbán government, in addition to its unquestionable desire to exclude the German company from this market segment, faced a serious dilemma. It theoretically could have risked further fanning the flames by reducing residential gas prices, thereby forcing E.ON to take its largest loss yet on import prices, and in the last available segment of the value chain. However, they likely did not want to risk it, as it would not have been justifiable in a regulatory sense and would have exposed the government to litigation.

The possibility of MVM taking over the company and financing its losses from shareholder (i.e., from the budget) and bank loans would also have been conceivable. This would have been an integrated solution for the remaining half year until the elections, yet from that point on it would have caused increasingly larger problems with the state budget. It was also typical of MVM's weakened liquidity that it had to take out a shareholder loan of HUF 100 billion to finance its winter storage, an otherwise regularly scheduled procedure that routinely needs to occur every year.¹⁷ Coming to terms with Gazprom on a price cut, and thereby greatly increasing the financial feasibility of the state's utility price cutting scheme seemed better than any such solution.

Considering that the revamping of the gas agreement and the negotiations to expand Paks took place concurrently, it requires a very active imagination to suppose that the two can be separated from each other. It was striking from the start how much the government, which favors making grand announcements, wanted to conceal the fact of the Russian price concession. The two were obviously part of the same transaction, so the question here at most is the relationship between cause and effect. Was Orbán truly committed to the nuclear expansion plan, and along the way, so to speak, asked for a price concession for the natural gas sector in return? If this was the case, then the Hungarian side handled the matter rather effectively, as it received additional concessions along with an already concluded contract. Or, on the contrary, was it the Russian side that, with a wavering

governmental position, saw a surefire campaign technique in the deployment of the utility price cutting scheme and sought out the Hungarian government to offer price concessions with high local value in return for enlarging Paks? In either case, the fact that the Hungarian party signed the agreement prior to the elections rather suggests that the Russian side feared that Orbán, following reelection, might back out of the plan to expand Paks.

Another popular suspicion is that the Orbán government intends to finance its operating costs with the €10 billion loan from the Russians, and the Russian government will turn a blind eye to it. The probability of this, in this way, is unlikely. First of all, it is in Rosatom's interest to complete the project and not have any major disruptions. This is currently their only reference project that has been signed on EU territory, and following the fiasco in Bulgaria, a second failed Russian project would not look good for them. Second, contrary to the argument that suspects Moscow of systematically building up an empire and thus disregarding financial considerations, all past experience in Serbia, Ukraine, and even Belarus shows that Russian trust is rather limited, and that **they do not provide money simply based on political criteria**. What they want are specific ownership positions and tangible goods. Considering the Hungarian government's debt policy, they would have been able to extend credit to the Orbán cabinet directly, without tarnishing Rosatom's reputation. In case they ever decide to do this, it will not be by granting a loan for an investment.

Thirdly, the Russian guarantees in the loan agreement manifestly make it difficult to divert the funds in such a manner. All disbursements have to be documented from the start, and these must be approved by both parties. The loan will not be provided to the Hungarian government in a lump sum, as the Russian Vneshekonombank will only transfer funds upon fulfillment of the terms. Moreover, the Hungarian party has to contribute a 20% share of every invoice issued.¹⁸ This naturally does not exclude the possibility that during the implementation phase the government or those in its inner circle will draw upon certain sums for their own purposes, and Moscow would turn a blind eye to this practice. However, **it is unlikely that these funds would be able to be used for unrestricted spending on a macroeconomic level**.

Greater flexibility than this is likely from the Russians at the 40% so-called localization level, which will have to be offered to Hungarian subcontractors out of the overall investment sum. We know very little

about this at the moment, as it is only mentioned briefly and quite conditionally in the Intergovernmental Agreement.¹⁹ Presumably the supply contract will regulate this matter in greater detail. To start with, it is not clear what the 40% refers to exactly. If it refers to the total €12.5 billion investment, then this amount would be €5 billion, but only €4 billion if it refers to the Russian loan. After the €2.5 billion share contributed by Hungary, the net Russian “contribution” in these two cases would be €2.5 billion or €1.5 billion, respectively. In light of the background of the contract, the former case is more likely.

Given Hungary’s lack of nuclear engineering capacity (as opposed to, e.g., the Czech Republic, where this industry is even Russian-owned, and as a consequence Rosatom initially promised them a localization level of 60%), the Hungarian side will have a hard time carrying out 40% of the Paks expansion plan, which can be gathered from reading the agreement. However, there are still some opportunities here for the Hungarian side. A more realistic localization solution would be to set up certain manufacturing operations in Hungary, and then have the Hungarian side also take part in Rosatom investment projects underway in other countries. In such a case, a guarantee for a €5 billion order from Rosatom would clearly provide the guarantee of a market return and open up further prospects for cooperation independent of the Paks expansion plan. An even broader possibility than this would be to treat the 40% as a type of “offset” purchase, similar to that offered by the Swedish government for the procurement of Gripen fighters. At that time, Stockholm promised investments in Hungary that amounted to 110% of the value of the order, which were then arranged through a separate accounting mechanism. Perhaps it is not a coincidence that the first Orbán government committed itself at that time to exactly this solution.

It would be worth comparing this promised €5 billion (or the net €2.5 billion) to the €20.5 billion obtained from the EU’s Cohesion Fund between 2013 and 2020, though with strong reservations.²⁰ If we disregard the macroeconomic differentiations between the two amounts, which are otherwise completely valid, and view them from their industry policy and clientele-building aspects, then the Paks expansion plan still appears as an impressive capital injection. There are multiple narratives of this, or in the worst case scenario, a vision may have also presented itself that influenced Fidesz’s decision makers. From the start, the nuclear lobby was keen to interpret the Paks expansion as a plan to save the Hungarian “nuclear

industry” centered around the facilities and its isotope production, research infrastructure, etc. Of course, the veracity of these claims and the extent of this sector are dubious, but Fidesz has demonstrated in the past that it condones zero tolerance toward the deindustrialization of Hungarian-owned companies. In addition, as the conventional construction industry and Közgép, a private company owned by a founder of Fidesz, will hardly be capable of absorbing this amount by themselves, the project could also have “reindustrialization” profits as well: what could be better than a Hungarian, or a Hungarian and Russian-owned producer of nuclear capacity? Is there any other chance of bringing this manufacturing capacity to Hungary, to a Hungarian base, without multinational companies? Following the financial crisis, it does not appear that this would happen from the economic policy performance experienced thus far. As a result, these substitute solutions remain. However, most politicians, and in particular the current government outfit, magnify the synergies in industry policy to a disproportionate amount.

As for the logic of clientele building, the €5 billion of the Paks project can likewise be interpreted in several different ways. The past four years can be interpreted as when the “national ownership class” or the “adopted political family” accumulated its initial capital and attempted to get its hands on financial movements in the profitable areas of the economy in the first round, and on ownership positions in the second. These fields include the budget, development funds, and the high-volume domestic service sector, ranging from the banking system, to the energy industry, all the way to wholesaling. But building a class of national owners is extremely expensive, especially if the intent is to “produce” its representatives in sufficiently large numbers. A good deal of capital is needed in such a situation, particularly in the initial phase. Obviously, the fact that the resulting debt can be nationalized makes the negative risks that accompany it a secondary consideration. As allegedly stated by Boris Berezovsky, the leading Russian oligarch of the 1990s: “The first stage is the privatization of profits. The second is the privatization of property. The third and utmost is the privatization of debts.”²¹

If we assume wise foresight from Viktor Orbán, then it is conceivable that the Paks expansion plan has meant a preparation for the consolidation phase of this “national ownership class.” It is well known that **more stable political performance occurs when oligarchic systems are developing than when they are in their mature state.** Internal group cohesion is

stronger during their ascendancy, which is also required for redistributing the existing positions and replacing owners. However, conflicts within the new ownership stratum are unavoidable if the property being distributed runs out and extensive opportunities for expansion are exhausted. The regimes of Boris Yeltsin and Leonid Kuchma ran into trouble at the end of their second presidential terms partly because they were not able to manage conflicts between the new capitalists, nor did those capitalists uniformly stand behind them. Even if this is less relevant for Hungary than for post-Soviet countries, it is starting to become a timely issue here as well. Opportunities for extensive expansion can mean either the ongoing expulsion of multinational companies, a confrontation with groups of older, Hungarian owners that have been mostly spared up to now, or an intake of new funds. The Paks expansion plan obviously falls into the last category, with the advantage of not being as conflict laden as the other two solutions.

One aspect worth considering is that **the remaining money from the Cohesion Fund may have diminished by the end of the 2010s**. Indeed, the government will presumably draw upon a significant portion of these funds for the 2018 election campaign at the latest, but then there will be two to three lean years remaining until the EU's next financial cycle starts again, leaving the Hungarian economy without external funds until that time. According to the plans, the construction work at Paks due to launch then will come at a very fortunate time, with the more important work being done by Hungarians to take place precisely during this period.

Naturally, they hope that some level of breakthrough in the Eastern Opening policy will result from the Paks expansion, at least regarding relations with Russia. Its macroeconomic significance, however, is doubtful: the Russian market accounts for no more than 3% of Hungarian exports, with multinational corporations based in Hungary providing more than two-thirds of that amount. Major structural problems, especially issues of economies of scale, limit economic opportunities in Russia for the Hungarian corporate sector. Due to the fragmented and relatively small size of these companies, Hungarian producers in both the food and manufacturing industries are unable to produce the required minimal number of product lots for market entry, which in Russian terms are still huge for Hungary. And so the fastest results will be seen mainly through the active political goodwill of the Russians, and it will necessarily be precisely those groups with the proper networking capital that will benefit from it. It could not be possible otherwise.

Risks for the Orbán Regime

Finally, it is worth briefly reviewing the risks for Orbán's political regime hidden in the Paks decision. Obviously, these are largely the same potential problems that were discussed in the general reaction and criticism of the Paks expansion plan, yet, in terms of how the Fidesz regime functions, they take on a different interpretation than they would otherwise.

It is apparent that the government, with its typical voluntarism, has overlooked a large part of the risks involved in this venture. This is characteristic of Fidesz in other issues as well, presumably arising from the nature of concentrated decision making by one man, the desire for secrecy, and suspicion toward public administration. The mistakes caused by this voluntarism are almost always subsequently rectified in some way or other within Hungary by the government's two-thirds majority in parliament. In economic policy decisions, for instance, especially for those that have international implications, the regime has repeatedly foundered with its characteristic drive—an example of this was the handling of the 2011 economic mini-crisis, in which the government was forced, at least formally, to recall the International Monetary Fund (IMF). However, implementing a large investment project with complex regulation requirements embedded in international civil law contracts is a completely new area even for Fidesz, and will exacerbate the consequences of errors that have resulted from their previous voluntarism.

Considering the possible risks in the international arena, one group of these is obviously comprised of **EU regulatory issues**. Knowing the role-playing games Fidesz likes to engage in, opposition to the EU is not necessarily a bad thing for Orbán. Experience so far has shown that such conflicts with Brussels can be smoothed over, and that Hungarian bargaining power is sufficient to take up a reasonable defense. However, the Paks project is too big and too long to be hidden from the attention of the European Commission for long. The EU's commissioner for competition will have ample time to put Budapest on the rack (which in Fidesz's interpretation could even be beneficial), but this time, the process will reach an endpoint sooner than Orbán is able to fully react to it. And the possibility of taking necessary corrective action, unlike all times in the past, is much lower. After all, **it would not be the Hungarian parliament, but Moscow that will make decisions related to legal adjustments**, and Orbán will

also have to enforce the expectations of the EU there. The Hungarian government could find itself lodged between the European Commission and Moscow in every such case, which could easily drag down the project and society's opinion of it.

The present Russian dominance in energy relations and the synergies between sectors were presumably advantageous when the government committed itself to the Paks project. Accordingly, however, any cardinal Hungarian-Russian dispute concerning the contract, regardless of its origin, will afflict other areas with the same amount of negative synergy. Bulgaria could back out of its plans to build a power plant in Belene, but until just recently it had to pay extremely high gas prices to Gazprom that only negotiations on the South Stream project could ameliorate. **Moscow will settle conflicts with the Paks expansion plan with the same logic that it concluded the contract for the project.** Aware that residential energy prices are important for Orbán, it possesses a signed contract to expand Paks, one in which the Hungarian side has sacrificed the arsenal of future lobbying interests in exchange for financial concessions. There is a good chance that Orbán may come to hate the Paks project precisely for entering into it.

A probable delay due to regulatory issues could also put Fidesz into a difficult position. As opposed to drawing upon EU budgetary funds, the implementation of a nuclear project cannot be mapped out as far in advance. Numerous small issues and risks may crop up, causing a significant delay in construction plans even from the start. As a result, all of the legal and EU problematics and the indirect consequences on foreign policy and international finance will be up to the government to solve without being able to utilize a large proportion of the loan during the period that was originally intended, which will be at some point from 2018 onward. **The timetable for the project is tight, to say the least, and adhering to it will depend at least as much on Brussels and Moscow as on Budapest.** And in turn, Orbán will be left without the promised money for his homeland, and moreover after a lot of political fuss with nothing to show for it.

And finally, there are the traditional risks to popular standing that occur with all large projects. Fidesz managed to get its base to accept the Paks expansion plan with impressive speed. At present, it appears that the project does not in any way jeopardize Orbán's popularity, making the **political costs low.** Orbán's political credibility has determined the smooth progress of society's acceptance of the project: the Paks expansion plan was

drawn into the prime minister's aura, so to speak, so the issue is inseparable from public opinion of him. It may remain this way for a relatively long period of time, but the premier has put such a political load on his shoulders that he cannot rid himself of, even if he wanted to. So if Fidesz's popularity begins to decline over the next decade, and the party, in contrast with the current situation, wants to rid itself of some matter instead of just "feeling the pain," it will not be possible in this case. **Fidesz will not be able to escape from the Paks expansion project.** As has happened in other cases, such as with the Gabčíkovo–Nagymaros Dam project at the end of the Kádár era, or the Metro 4 subway line in the final stage of former mayor Demszky's term, these large projects did not permit their political schemers to "keep their heads above water" for long. And although these investment projects were not responsible in either case for the public's erosion of confidence in them, the process was made much quicker and crueler. Society's future judgment of the Paks expansion plan will most likely be inseparable from Fidesz: ten years from now, it could be declared either a successful large-scale energy project or the irrefutable proof of Orbán's hubris.

NOTES

¹ For 2012 statistical data on the Hungarian power system, see Magyar Energetikai és Közmű-Szabályozási Hivatal (MAVIR)/Hungarian Energy and Public Utility Regulatory Authority, *A Magyar Villamosenergia-Rendszer (VER) 2012. évi Statisztikai Adatai/Statistical Data of the Hungarian Power System 2012* (Budapest: Társkiadó/Felelős kiadó, [2013]), 42, 54, http://www.mavir.hu/documents/10258/154394509/a_magyar_villamosenergia_rendszer_2012_evi_statisztikai_adatai.pdf/b1fcbe6e-ed81-42bc-bf05-569aec2cfaa3. This proportion has grown since then.

² *Ibid.*, 54.

³ So for example, nearly the entire French nuclear fleet, a capacity of 57.3 GW, or roughly six times Hungary's total installed capacity, was delivered between 1977 and 1992, and the bulk of that will be shut down by 2040: "Nuclear Power in France," World Nuclear Association website, <http://www.world-nuclear.org/info/Country-Profiles/Countries-A-F/France/>.

⁴ "Nemzeti Energiastratégia 2030" [National energy strategy 2030], *Magyar Közlöny* 119, 14 October 2011, http://doc.hjegy.mhk.hu/20114130000077A7AF_1.PDF, 13.

⁵ A classic challenge for wind farms is stormy weather, during which every turbine could be at maximum power at one moment, and then switch off at a certain wind speed for safety reasons. At such times, other, more traditional power plants have

to make up for the volatility, first by reducing their output, then by accelerating their activity from one minute to the next to compensate for the shortfall. This situation is not only very expensive, but at a certain level the system is no longer able to provide such flexibility, and the result can be a power outage.

- ⁶ MAVIR, "A magyar villamosenergia-rendszer közép- és hosszú távú forrásoldali kapacitásfejlesztése 2013" [Medium and long-term source-side capacity development of the Hungarian power system, 2013]. Budapest, 2013, http://mavir.hu/documents/10258/15461/Forr%C3%A1selemz%C3%A9s_2013.pdf/0a51f06c-73e7-4607-b582-00d3b1434837, 25.
- ⁷ Parliamentary Resolution proposal H/9173, pursuant to Section 7(2) of Act CXVI of 1996, on granting preliminary consent in principle required for the commencement of preparatory activities to establish a new nuclear facility or facilities on the premises of the Paks nuclear power plant, <http://www.parlament.hu/irom38/09173/09173.pdf>.
- ⁸ "Nemzeti Energiastratégia 2030"; it is characteristic, however, that in a later calculation, REKK proved the Paks extension project to be economically unviable, as the resulting prices would greatly exceed the price of electricity from possible alternative solutions, or wholesale prices that have been seen in previous periods. See <https://www.youtube.com/watch?v=mfsPG0KgJKA>, and <http://humanokologia.tatk.elte.hu/?p=824>.
- ⁹ Draft bill T/13628 on the proclamation of an agreement between the government of Hungary and the government of the Russian Federation regarding cooperation to be carried out in the area of nuclear energy utilization for peaceful purposes. <http://www.parlament.hu/irom39/13628/13628.pdf> (hereinafter the Intergovernmental Agreement).
- ¹⁰ Draft bill T/140 on the proclamation of an agreement between the government of the Russian Federation and the government of Hungary regarding the disbursement of a state loan to finance the construction of a Hungarian nuclear power plant for the government of Hungary, <http://www.parlament.hu/irom40/00140/00140.pdf>, (hereinafter the Loan Agreement).
- ¹¹ Before the 2014 elections, communication from the government presented this investment as connected with the utility price cutting process that formed a part of the campaign. Under the utility price cut scheme, utility prices such as household electricity and natural gas were reduced by over 25% throughout 2013–14. This message contributed decisively to Fidesz's popularity, which swelled from a low point of 1.3 million supporters in 2012 to a mass of 2.1 million by the time of the elections.
- ¹² It is worth adding here that in addition to Russian participation, the Finns also stipulated that the new unit should be able to enter the market at a price under €50/MWh. Just as a comparison, EDF, the supplier for the Hinkley Point C facility mentioned above, requested a price of €110/MWh for thirty-five years: <http://www.energypost.eu/rosatom-signs-contract-build-nuclear-plant-fennovoima-finland/>.
- ¹³ For journalists, the idea had already come up during the first meeting between Orbán and Putin in November 2010 to combine the issues of the Paks expansion, natural gas supply, Budapest subway enlargement, and MOL share package into a single deal. "Vengrija menyjajet szvoju nyeft na rosszijszkij gaz" *Kom-*

- merszant*, 30 November 2010, <http://www.ugmk.info/digest/vengrija-menjaet-svoju-neft-na-rossijskij-gaz.html>.
- ¹⁴ "Olcsóbban adja a Gazprom a gázt" [Gazprom is selling cheaper natural gas], *Napi Gazdaság*, 27 November 2011, <http://www.vg.hu/vallalatok/energia/olcsobban-adja-a-gazprom-a-gazt-416733>.
- ¹⁵ "Gazprom Eyes New Hungary Deal," *Argus FSU Report*, June 2014, 6.
- ¹⁶ BP, "Statistical Review of World Energy 2014," BP website, "Gas Prices" table. <http://www.bp.com/en/global/corporate/about-bp/energy-economics/statistical-review-of-world-energy.html>.
- ¹⁷ "Az MVM a 100 milliárdos tulajdonosi kölcsönből vásárol földgázt" [MVM to buy natural gas with a HUF 100 billion shareholder loan], *Világgazdaság*, 27 June 2014, <http://www.vg.hu/vallalatok/az-mvm-a-100-milliardos-tulajdonosi-kolcsonbol-vasarol-foldgazt-430234>.
- ¹⁸ Loan Agreement, Articles 1–2.
- ¹⁹ Intergovernmental Agreement, Article 4(2).
- ²⁰ The latter is in 2011 prices. The comparison still holds up considering that the total loan for the Paks expansion and its disbursement are drawn out over more than ten years, and so in several ways is an even smaller sum than it first appears.
- ²¹ <http://www.forbes.com/forbes/1999/0322/6306106a.html>.

Pál Juhász

Controlled Competition in the Agriculture

Antecedents

After the change of regime, the first freely elected parliament introduced laws that reshaped agricultural relations (Compensation Law, 1991, Cooperative and Cooperative Transformation Law, 1992) by giving the greater part of land ownership to people who had little to do with agriculture, and mostly lived far away from villages, instead of active members of cooperatives, thereby significantly complicating the formation of a new order of farming. No wonder, since only 4% to 5% of cooperative members were enticed by the ideals of the lawmakers—**the vision of the peasant farming his own land**. Most of them understood the economic (productive and logistical) benefits of up-to-date equipment and agronomically aware specialized units. There were rationalizing attempts to streamline the cooperative system, but since the Transformation Law gave the land—not only the cultivated land, but also the rights to the majority of common property—to people uninterested in the preservation of jobs, it inclined the members of cooperatives toward a forced solidarity. (If the disputes between groups seeking independence had led to bidding, the decision would have fallen into the hands of outsiders.) The agrarian policies of MDF (Hungarian Democratic Forum), SZDSZ (Alliance of Free Democrats), the Agrarian Union, and Fidesz (Alliance of Young Democrats), all intended to reform the cooperative system; the world of separate individual entrepreneurs was not the most important consideration. Though József Antall—forced into shared governance with the Smallholders' Party, proponents of reprivatization—was unable to accept reprivatization for practical and constitu-

tional reasons, he developed the reimbursement system for all people who had lost assets. The originally practical laws introduced by the government were reformed by increasingly radical government representatives, so that it would be more profitable to spend reimbursement money on land, than on state property awaiting privatization and so the Cooperative Transformation Law would include elements of reimbursement. When at the end of 1993 they saw that 90% of the cooperative members had not, despite encouragement, left the cooperatives, they incorporated two limitations in the originally technical land law: **one person may only buy 750 acres of land, and legal individuals may not buy land.** They abandoned their ultra-liberal ideologies that emphasized the “sanctity of propriety” in the hope that this would stop the stabilization of cooperative farming.

Political Notions and Farmers’ Rationalism

Although, since 2001, the deep liquidity recession that followed the agrarian economy has been avoided and it appears that the wheels are in motion to ensure the constant renewal of farming processes, what is more, since joining the EU the proportion of total income in agriculture is growing, there are serious consequences to the fact that this income and the number of people living from agriculture barely makes up 40% of the income and population of the 1980s. The population of villages was seriously affected by the rationalization of the industry and the rapid growth of productivity: they were the first to become superfluous.

The pitfalls in the downward slope of settlements have become more visible: a smaller proportion of people in so-called rural (traditional) areas make a living in agriculture than in more advanced (fortunate) regions. In addition, those incumbent to the part-time agricultural activities of “domestic agriculture” popularized during the Kádár era faced a shrunken market further constricting the agricultural possibilities of these villages: the produce handlers, and even the organizers are far away from city markets. However, without **the coordination of activities and quality services goods cannot be reliably produced.** Home-grown fattening has been pushed back by the networks of official (professional) operations lining up for processing companies and village cow herding has been eradicated by food safety regulations and the collapse of pasture agriculture. The illusion that agriculture guaranteed a future for village people

has dissolved. Also, the privatization of land has affected the inhabitants of rural areas the least favorably. The children of the ambitious social layers—including the gentrifying peasants—were the first to move away from these areas. So most of the land became the property of people living far away, and they treat the land as an investment and not as the tool of their labors.

From Hubris to Paranoia

To better understand the current situation, which is difficult for the agricultural sector to comprehend, let us remember that in the 1980s Hungary was one of the agrarian export countries in the Cairns Group that fought for the liberalization of agrarian world trade at the General Agreement on Tariffs and Trade (GATT) negotiations. (Today our representative organizations and agrarian politicians oppose, with worry and skepticism, the loosening of the EU's market protection-policies at WTO [World Trade Organization] negotiations.) We were not the only ones to be confident that in the eventuality of free competition we would surely be better; the analysts of Eastern and Western Europe in the 1980s also wrote about the achievements and system of Hungarian agriculture as in many ways exemplary. We were the exception to the rule: **though there is socialism**, agriculture is still **working productively**.

Of course this evaluation and confidence contained much self-deception, as did the false image created by Comecon (the Shared Economic Help Council, the organization for cooperation between Eastern and Central European countries). Nonetheless, it is a fact that our natural resources and the expertise amassed during the socialist era in addition to many centuries of traditional agrarian export indicated more opportunities than the situation today: our agricultural repertoire has become simplified, and crucially **we are material exporters once again**. (The only reason we are not totally exposed to the tides of the global market is that we are also shielded by EU protectionism.)

In the years following the change of regime, the collapse of Comecon markets, the increasing openness of the Hungarian market, the cessation of shopping tourism, and the decrease in the standard of living caused a sales crisis (which, due to the forced constriction of the food market, shocked small agrarian businesses even more than the produce cooperatives), **agrarian paranoia** was primarily an ideology of the **café-intellectual left wing**. "Antall and company, as they say, lay down to the West: in order to

be accepted they acknowledged the destruction of Hungarian agriculture.” This phrase, though altered, still lives today: “the West” is in fact afraid of the competition the Hungarian agricultural market will pose; even the EU’s conditions and rules make sure that the Hungarian agrarian economy cannot be revived. Foreign investment in the food industry serves this end. “They bought themselves a market”—as if the Hungarian food industry investors were not trying to process the produce of Hungarian agriculture, but were trying to avoid exporting it. (An economist might ask why the interest in investment in the food industry has declined since the mid-1990s. True, the answer seems obvious: under Hungarian conditions it is difficult to adjust the import network to the manufacturer.)

The right wing established a source of authority by “green baroning,” claiming propriety and distributive rights over agricultural lands. The leaders used their power to intimidate people so they dare not hope to become autonomous. Later, this phrase was changed so that the former members of the elite would be able to exploit the law and use its opportunities and loopholes for their own gain. Other elements representative of the class struggle also shifted to the right around 2000. They were forced to accept the fact that despite the distribution laws, 90% of the members of cooperatives had not left the cooperatives. This was not caused by an unexpected lack of willingness to invest due to the recession or “scaremongering” or from the persistent hope that the old agrarian security cooperative could be saved, but, at least in part, from the fear that the distribution laws would—if the cooperative was dissolved—distribute the lands as well as the equity to the descendants of outsiders and pensioners. (As if the increasingly radicalized anticommunist founding fathers wished to get revenge on the cooperative members instead of the communists who had by then disappeared through the reshaping of bills put in place by the government.)

Regulatory Mistakes: The Deficient Hungarian Agriculture

Separating the land owner from agricultural businesses, and that, unlike previous land reforms, **land distribution favored not those making a living from agriculture, but those a distance from agriculture**, created a strange, unprecedented, and incomparable situation. **Resembling annuity**, this system favored the status of **owners and renters** who did not take direct part in production, which simplified the achievement of goals in political clientele building in rural areas. What is more, **the concept of an agricul-**

tural plant, ranch, or farm is absent from Hungarian culture (from the ethical guidelines of legal, banking, and governance principles). (Yet, this same cultural heritage helped the late German Democratic Republic and the Czech Republic to develop their new working order with tighter guidelines than Hungary, despite reprivatization.) It is obvious, although not always understood, that, like industry, agricultural production requires investment in things (machines, animals, stables, storerooms, public utilities) as well as land. Ideally a farm is a ranch or estate equipped with everything necessary for it to be productive, surrounded by sufficient and suitable land. And as the terrain is covered with adjacent farms, everything has an owner. Without the investment, the land loses its value. Farmers know this.

However, the makers of the laws handed out land without making stipulations for its use. The spoils were further broken down during the cooperative reformation: God forbid one recipient should be better off than another—so everyone who got something was sure to receive plots of every quality. Therefore, both the land and the settlements decreased in value. When confronted with the judicial problems caused by this, the concerns were warded off by the right-wing party representatives with radically liberal arguments: owners of property know best how to use it, whom to sell it to, whom to partner up with, whom to trust it to, so that its value increases. New types of farming cooperatives were started in a few regions: relatives, colleagues, neighbors, or friends founded small businesses by the thousands, creating farms by combining their separate bits of land (or the deed of ownership thereof). The US pattern of “family” agriculture groups seemed to be taking over. (The tradition was to keep a farm under family or group control under which the members owned shares in the concern, rather than directly owned the land, in order to prevent the farm from being broken up or divided as a result of inheritance or divorce.)

The land laws that aimed to impede the consolidation of the cooperatives also put an end to this farm-forming process.

A lively land market was unavoidable after land privatization and inattention to agricultural requirements led to the land being divided up into smaller and smaller lots. Many purchasers entered the market because of the potential return they could make on the investment, not because they had an interest in using the land productively. At least three-fourths of the agricultural land became the property of nonfarmers, and at least 90% of land parcels were under five acres in size. Thanks to fragmentation, much of Hungary’s agricultural land became unusable in terms of agriculture and

has been left untended. The result has been that the Hungarian countryside has become a breeding ground for varieties of ragweed, more than half of the grape and fruit plantations extant in the 1980s have disappeared, and most of the country's water management installations and infrastructure have become inoperative.

In the second half of the 1990s actual farmers were plying their trade on mostly rented land or using it as a favor, and—especially toward the end of the decade—the number of **fictitious farmers** increased. For tax and support purposes it was more beneficial not to rent out the land received, but to entrust the land to the nearest former cooperative farmer (mostly working in the next plot), a new cooperative or “serious” entrepreneur, but not to ask for rent. By deducting operational costs from the profits made on the land and presenting the accounts as those of a “**primary producer**,” it was possible to avoid taxes. Grain prices in 1995–96 made it viable for land-owners to entrust the majority of work to farming contractors or to companies also involved in agricultural contract work and then sell the produce themselves or feed it to animals. But when the protector of peasant industries, president of the Smallholders Party József Torgyán, became prime minister, peaking sales recessions made the agricultural viability of 25–30 acre properties and the keeping of small numbers of farm animals impossible. In addition, those who cultivated farms became more cautious: they became increasingly reluctant to work farm fragments off their beaten path.

By 2001—despite the fragmentation of the sector—farming was becoming concentrated again. Livestock production climbed to a level of concentration unprecedented in Hungarian history: 90% of pork sold came from suppliers who raised more than one hundred pigs per year, industrialized processes became the norm in poultry and egg production, and keeping a single cow was only done by interested individuals for their own use. Cultivated land was once again resettled into manageable plots, and in places where this unification did not take place (mostly in less-productive areas), boundaries between fields were no longer maintained.

Selection of the Fittest: On Insecure Foundations

The consolidation of production was only a facade. The stabilization of properties was blocked by a land law, which, by banning legal persons from buying land, created a system of internal tension in the remaining cooperatives; one group of owners bought the land under their own names

from the people leasing it, thereby blackmailing the other members of their group. Furthermore, due to the necessity of rationalizing production and the anticooperative actions of the first Orbán government, the majority of leaders in cooperatives gave trying to act in solidarity together, and so, in the interest of an inner circle or striving to secure their own family's future, they simplified agriculture. (Where they did not stand up to rationalization, bankruptcy took the jobs of everyone in the group.)

From the perspective of farmers reliant on small rental income, **the other weakness of the land law lay in regulating the rental system**, and in part it still does. It allowed rental contracts to span from one to ten years, and for this—who would want to permanently commit themselves?—one to five year contracts became the norm. Thus, serious farmers (not only the cooperatives, but individual farmers who had undertaken investments) worked on lands that no one knew—and again today no one knows—how long they would be allowed to use it. It is not possible to plan proper crop rotation, long-term fertilization, and bioproduction under these circumstances. The gardening businesses that live in symbiosis with plowing farmers cannot expand. Exposure to these constant changes was especially detrimental to the owners of livestock farms (and in general to those who invest in infrastructure to improve their farms), the modernization necessary for keeping pace with the competition that determine international prices, and adhering to the increasingly severe environmental rules can only be achieved by slow-return investments. The stability of one's property requires the surrounding properties to also be stable: this is the only way enduring agreements can be reached. And it is almost impossible to organize any infrastructural investments (irrigation, drainage, roads for new claims, ditches, etc.) without stable neighborly relations.

Because of the uncertainty of the property system, agriculture is an unattractive investment—therefore “lack of capital” is a permanent complaint, even though ever since Széchenyi we should know that lack of capital is caused by an undersupply in the land market—that is why agricultural investments sway according to the state investment programs and the agrarian credit system is in dire need of improvement. As a result of the sparse number of prospective contractor investments and lack of cooperation, the number of products we are still competitive in is decreasing and the organizational issues reduce the number of complex activities which offer good jobs. The uncertainty of the property system is also obstructing responsible land use.

Although the land use security of each individual farm is small, the structure of the estate system essentially solidified by 2001, after the shock of 1999 and 2000. The number of farms over twenty-five acres has been around 51,000 since then (actually used land rose from 66% to 81%, while home-supplementing farms have decreased further to half their number from twenty years ago), and the produce weight of the hundred or so farms over 6,000 acres has continued to grow. **Joining the EU visibly increased concentration, not in land use, but in the breeding of livestock.** One of the reasons for this is that EU market protection protects grain prices at a higher level than the Hungarian prices were at the time—with this and with land-derived support increasing the profitability of agriculture, live stock farms were caught in a vice: they came into the race with increased fodder prices against their EU competition who had a demanding agromonic culture effective in a wider range and were better organized into vertical supply chains. The meat prices held low by competition made home-farming livestock pointless, and the situation of businesses organized on old settlements ignorant of environmental and rational work order requirements became hopeless. The resulting decrease in livestock numbers were only partially curved by dedicated breeders, with the help of EU modernizing support, working—for the most part—in large operations.

There is another reason for the rapid concentration of livestock breeding and gardening: the desire to serve the processing industry. The Hungarian producers of food stuffs have to include in their calculations the importers, who are contracted and fronted some of their pay and who play a game called “open and shut.” **The high (currently 27%) VAT sustains an on-the-road tax evasion system**—the Meat Products Trust values it at over 20% of its turnover—which poses a constant temptation to importers. The traders and processors of this network pay immediately and slightly more, than the taxpaying partner. Hence, because of the dangers of betraying the buyer, greater numbers of stock must be kept and more uncertain production programs must be worked with by the traditional Hungarian processor than the competition. Therefore, these carefully constructed networks—the reorganized poultry supply chains, the dairy companies, the meat processors and packaging factories seeking security, and the product preparation companies working for the traders—first, aim to create partners with shared ownership for surveillance and, second, make long-term commitments with large-scale producers, which are less likely to be tempted by opportunism.

The History-Shaping Incompetence

An observer of agriculture will notice not only that the level of agricultural production has fallen short of expectations and blatantly apparent opportunities, that not even half the number of people can make a living of agriculture as did before the change of regime, and that the majority of rural families have been barred from the opportunity of supplemental home agriculture, but also that this agriculture dominated by large players bears no resemblance to the idyllic image the proponents of change-of-regime laws promised: a network of well-to-do, middle-class farmers.

Many people cannot admit that at certain time periods **stupidity is a force influencing history**, and so they also cannot see that the childish, self-serving laws of a single group would develop into this new order. The anarchy created by these laws serves those who understand what agromomic efficiency means, and what a rational system of labor demands, and also are able to navigate the partially internationalized farming network, in which they are then able to perform a not so easily replaced role, and have their competence accepted by their partners and banks. The landowners then entrust their land to rewarding markets in the interest of their own security. (The formation of family farms would have necessitated room and the community efforts of cooperative networks, and also for the farmers to adhere to strict regulations.)

Doing Justice, Infantilism, and Power Building

The second Orbán government, wishing to rid itself of its past, announced a program that declared class war on farming “landowners” and supported the creation of a **family farm-oriented agriculture**. Beyond the “antioligarch” atmosphere there are multiple **immature presuppositions** behind this program. For example, that these producing farms, legally christened **family farms**, work according to the agricultural practices of estate families of a century ago. In fact, the owners of today’s **family firms** use machines in production, constitute the farm’s work force themselves, as well as manage the entire operation. They further assumed that family farms are more sensitive to the condition of their environment than cooperatives were, and are more easily encouraged to embrace new approaches, such as biofarming. This, despite the fact that the environmental responsibilities of large-scale farms are more easily rationalized, and biofarming (or other

new approaches to agriculture) could be realized on a large scale in cooperatives willing to accommodate it. A similar misconception is that agriculture offers adequate employment in rural communities, and that family farms are ideal to bring agriculturally inclined rural workers into production. As it happens, family farmers in rural communities are far less capable of benefiting from the aims of their enterprise—i.e., to provide employment opportunities—than the residents of more fortunate areas. This is not only because in geographically less fortunate places it is harder to develop a stable enterprise, but also because it is harder to find reliable associates or partners. **Farming today is in fact a component of knowledge farming.** The only people who can manage and prosper in such a system are those who possess multiple areas of expertise and are capable of cooperation. Since individual labor is far more common in farming, than, for example, in a factory, they are able to make knowledgeable decisions in critical situations. (Being able to use a hoe has no significance.)

Building a Clientele in Agriculture

In 2012 two laws were called for to give structure to the new agrarian politics. One discussed the letting of state land to local landlords, the other, dealing with the “field farming and silviculture,” was a bill that claimed to replace the old land law.

The process of the **letting of state land** ended in a scandal, because it was not the people who had used it till then, nor the farmers adjacent to the piece of land, who received the expiring lease, but often new contractors or individuals up till then inactive in agriculture, but who had party connections. József Ángyán, who led the development of the new land law bill as secretary of state, indignantly spoke of how the “oligarchs” had derailed its execution. However, it was not the oligarchs who had made a grab for these lands, but the “buddies,” members of the magical “**adopted family**.” It became obvious—later on when the newly created districts appointed their representatives and when tenders were awarded according to the trade law—that the theoretically administrative decisions carried out Fidesz instructions, though they did mobilize family connections beyond the limits of party membership. Being elevated into the “adopted family” or at least demonstrating “political trustworthiness” was the condition for gaining land, office, or the right to open a shop.

From the agrarian farmer's point of view these tenures did not have any significance in many regions. **However, the bill for the new land law caused panic.**

Compulsive Lawmaking: Lenience to the Detriment of the "Class Struggle"

Reinstating the regulation of land trade did not reach the debating table because lawmakers realized that authoritative regulation aids the stabilization of property use, its long-term development, and responsible farming, but because **the EU repeal**—allowing the government to ban other EU farmers from buying land in Hungary—**expired in 2014**. They took advantage of the opportunity to make a definitive stand against big agriculture, opining that the small farmers cannot get along because of them. For **simultaneously waging class war on "outsiders" and "oligarchs,"** the disfigured version of a twenty-year-old proposal by the SZDSZ (Alliance of Free Democrats) seemed a fitting tool for the job: they kept the rule that only farmers who live within 12 miles of the farmland for sale should be allowed to buy it, but they left out the right of agricultural cooperatives to buy land and put in limitations on estate size. Furthermore, the proposal kept the maximum land purchasable specified in the original law and also the prohibition of legal persons from buying property. (Characteristically, only recognized churches are an exception.) The bill not only obstructed the purchase of property but also limited the size of properties for rent. According to the bill, those legal persons with a lease are allowed to farm on a maximum of 3,000 acres if—and only if—they employ at least a hundred people. (An agricultural concern of this size with 300 head of cattle could easily employ half this number, or even less, is managed efficiently.)

Even though, since 2010, bills usually pass through parliament in a few days, this bill was pending for more than a year before it came up for debate. As a matter of fact, this proposal, just like the earlier bolshevik programs in the Rákosi era, did not use the tools of herding—as political rationale would demand—but aimed to **create space for the preferred (and imagined) "family" farming circle, by rendering the successful ones obsolete**. Professional concerns immediately arose: the future of the most successful farms became uncertain, and agricultural investments sank even lower: since the density of livestock in cooperative farms is more than five

times higher than on individual farms (three-quarters of milking cows and breeding sows are owned by cooperative farms), the untenable predicament of a large proportion of these cooperatives caused Hungarian livestock production to sink even lower. (Today a quarter of domestic meat consumption is provided by imports, while in the 1980s Hungary exported 60% of domestically produced meat.) Some people have even raised the concern that the errors of the Rákosi era would be repeated: back then, efforts to make the farming of “kulaks” financially impossible caused the production potential of small peasant farms to decrease significantly. Often the security of the small farms is provided by the services of the large ones.

It would appear though, that it was not so much professional concerns that compelled the government to blunt the class struggle blade of their law, but rather that the regulations according to the bill would have also been to the detriment of farmers within the party family. They did not change the basic values of the law that passed in 2013: **only individual farmers are allowed to buy land (up to a maximum of 750 acres per person)**, while farming organizations are not. (Nor are members of a group who own at least a quarter of the group’s shares. This serves to make the future even more uncertain for those who farm in a reformed cooperative or in groups maintaining cooperative traditions, since in a group of distributed ownership nobody can buy the lease on sale.) Though the maximum land when increased with private rentals is defined as 3,000 acres in regards to agricultural activities, those farms that have livestock-breeding facilities or are sowing crops are allowed to increase up to 4,500 acres by way of private rental. The occupational stipulation was left out of the final law. (The former undersecretary quit the Fidesz faction for “allowances made for the oligarchs.”)

This law does not negate the uncertainties that impede farms over a couple of hundred acres in size from efficiently tessellate their lands. What is more, **the increased strictness of the rental administration and its complicated inspection system only increases the uncertainty of marginal farming.** Though it is true that the land owner, benefiting members of societal groups, would probably still prefer reliable renters to individual farmers, inheritance will cause the owners to change and multiply. As such, it is increasingly difficult for land-using farmers to find willing owners; complicated documents must be filled out and sent back in time. This law directly endangers 600 farms—not just cooperative ones.

The “dirty dozen” feel the least threatened. This is the nickname of the twelve state farms handed over to the members of the party family in the

last month of the first Orbán government's reign, and for which the government signed a fifty-year lease agreement with the state (at a time when the law allowed individual proprietors a maximum of a ten-year lease). The others will face the actual—five-to-twenty-year lease, made since 2003—limitations of the law when their lease expires. **They are left with two loopholes.** One is **the state**, since the state is not bound by the land trade law: it can lease any amount of land under any conditions. The other is creating a **compartmentalized economy**. The owners' children—also using the benefits given to young farmers—can create farms on the previously family-owned or group-owned lands that work in symbiosis with the mother farm. **However, this path may be barred by the new institution created by the law, the system of village land committees.** Every new farm will depend on them. From afar these committees resemble the committees in small areas that became an institution in France, **but on closer inspection they are party committees with unquestionable authority created by the Agrarian Chamber.**

In Hungary, the law born of the Antall government planned a chambers system with a magnitude of power similar to that of Austria. The system was completed by the end of 1997 and was abolished in 1999 by the first Orbán government (because they could not gain total influence over it). **Last year they reinstated the compulsory membership chambers, boasting multiple spheres of influence, but they made sure, through procedural regulation and the methods used in the electoral process, just like in the previous preregime change party state, that it was only possible to vote for one list of candidates.** The state was not bothered by the fact that very few people voted in the election as a result, because this ensured that every chamber would have a “politically reliable person” as leader.

The message is clear: **from now on we decide who gets to be an oligarch.**

Politics and Competitiveness

Selling farms on the more or less unified EU market is subject to the selective processes, which effect these markets, and is encouraged toward a process of adaptation, in the process of which they **learn how to exploit the constantly renewing and—according to production goals—diverse**

technology and market opportunities. This is how economic methods were developed, which, from the perspective of competition, despite the impractical legal situation, can give a chance for success.

Naturally, there are farms of all sizes that discover how to achieve connections within the markets they desire, with acceptable amounts of risk, and have adjusted their production profile and methods to this opportunity—agriculture is on all levels a “knowledge economy,” that is, a learned, not a tradition-centered system. Yet, due to lack of precedent for cooperation and clear farming norms, the contract farms of the **“big shots,” able to navigate in the world, always orientating professionally, have become the determining agricultural producers of the country.** They are able to compete with the economic networks that determine market prices and produce standards, and they, too, are able to assume permanent roles in large-scale networks. (A significant number of them even have a missionary role in the eastern side of the EU: their livestock and breeding methods, business creation, partner-selection techniques, networking resourcefulness, innovations, etc., influence their broader environment. They contribute to the enrichment of agriculture. Truthfully, by shaping isolated worlds to live in, they contribute to sustaining a renewing cast system. Therefore, they more easily become targets of the ever renewed “class struggle.”)

The process of concentration following the laws that caused anarchic farming at the beginning of the 1990s and the land law that obstructed estate creation was not only caused by the fact that only a few could see through the confusion and comprehend the needs and procedural norms of the system and were thus able to use the available farm labor of individuals who had been trying—and failing—to employ outdated agricultural operations that had become impossible for cooperative units to employ due to political and institutional rigidity. It also occurred because **the skilled working force** socialized in modernizing cooperatives and state farmlands **felt secure in the employ of the “big shots.”** (And now that they were growing old, there was a sudden lack of skilled workers in agriculture despite significant rural unemployment.)

Given the circumstances, **property concentration has exceeded substantive agronomic renewal.** When frequent failure caused the allure of farming the land of family and neighbors to subside (even domestic farming was in ruins), and it became clear to everyone which industries were worth letting out the land to—the owners of which generally lived

far away—then the farmers thought the mostly rental properties stable enough so that they would attempt to start serious investments, to dare to become indebted. State and EU support bolstered their bravery. (Where there were not enough farmers instigating investment—usually in unfavorable, i.e., “rural” areas—the amount of uncultivated land increased before joining the EU. Only increasing land-derived support bolstered enthusiasm to own property.)

By the time Hungary joined the EU, agricultural enterprises—as shown by the 2004 produce results—had once again reached the level of production that had been reached in the 1980s. This process was prolonged for horticulture and for livestock establishments. All the more so, since the return on cultivation equipment (tractors, sowers, plows, plant protective and harvesting machines) is barely longer than the then usual five-year lease (and cultivating equipment can also be used elsewhere), the return on investment into land tessellation is much slower and their use is fixed to the location. Generally, they require not only their own estate to be stable, but also the predictability of their surroundings. Also, the realization was slow to dawn: due to Hungarian conditions slow progress is not enough to become competitive; it requires reinvention from the ground up.

Though there were new agro-technological and organizational samples spreading throughout the 1990s initiated by the renewing processing industry, the Hungarian investors who wanted to compete with the Western produce range required ever larger batches of reliable milk, peas, sweet corn, tobacco, sugar beet, cucumber, etc., and those farmers with a sense of direction were able to adjust to these new demands. However, after investment enthusiasm for the food industry slumped at the end of the decade, this motivation ceased. Only those reliant solely on industrial feed (hence completely separable from cultivation) and the poultry industry (due to its quick turnover) were able to realize that with the collapse of the big companies who relied on traditional methods of importation, new processors had come to light, which, with careful partner selection, had rejuvenated entire systems.

The greatly traditional—though not very successful even in the past—Hungarian meat industry, with its network gained from somewhat modernizing its inherited lands, could not keep pace on the shared market. Joining the EU raised the prices of domestic feeder grain, the expenses of livestock farmers increased because of this and the requirements, while the supply chain came into direct competition with well-organized supply webs “fol-

lowing the Danish model” and the “Visegradians” (Czech Republic, Poland, Slovakia, Hungary), following the Western example with its new farms. Unable to keep up, the domestically farmed pork was soon followed into oblivion by the old pig farms. So the once overdrawn meat supply that had provided the majority of exports crumbled, and for the past eight years domestic demand has been supplemented with partially imported meat. (Therefore it is questionable, for example, whether Pick Salami can be considered a Hungarian product, since the factory in Szeged also buys meat from abroad.)

Developmental Dilemmas

In the mid-2000s the Produce Committee informed the public of the catch-22 situation. The organization of meat supply chains around the world have changed: the duality of the companies coordinating the breeders and the slaughterhouse and the produce factory; and **the vertical supply chain used in the live pork market has been replaced** by a single encompassing breeding system where a single high-capacity slaughterhouse often processing many million identical pigs per year serves the networks of the producer as retailers, as well as produce manufacturers and trade networks as buyers, the supply chain falls in two (**the system is run by the minced pork industry**). Hungary was unable to adjust, because of shady producer relations the investors dared not risk further capital and the potential investors in pork breeding were afraid to commit their resources for a long time, because there was no network with a large-scale, meticulous, up-to-date slaughterhouse, which could make the market placement of the potential produce safe. The Bonafarm slaughterhouse in Mohács, owned by Sándor Csányi, is an investment planned in the hope of moving out of this stalemate.

At the turn of 2007–2008 the Élelmiszer-feldolgozók Országos Szövetsége (Federation of Hungarian Food Industries; ÉFOSZ) stated the problem clearly: **Hungary had once again become an exporter of raw materials, while the proportion of foreign goods consumed domestically (i.e., imports) was increasing** (recognizing that imports were the embodiment of significant additional value, products that required more work to create). Traditional mass production by the Hungarian food industry aimed at export was losing money. This situation could only be overcome if—as in the mid-1990s—significant investment was made to modernize and sani-

tize the primary processing infrastructure of the domestic food industry, while remaining attentive to global opportunities with regard to production. A condition of this was that there would be large-scale networks providing a consistent product with reliable quality and supply, and which could also adapt to the demands of the processors. Since the two sides could only take a step while leaning on one another, they required a political solution aimed at helping interested farmers to come together under new policies and regulations and by financially supporting the building of networks through public interests (in fact, club interests).¹

Although agrarian politics has not publicly responded to the requirements expressed—no dramatic changes resulted from the imprecise and emotional talk about the needs of the agricultural sector—but there has been an acceptance that the agrarian programs of the “big shots” need attention. In the EU spending cycle of 2007–14, the second pillar of agricultural support, half the sources for rural development were given to supporting development projects that aim to increase competitiveness (totally more than HUF 500 billion over seven years). Project investments that fit the bill for an adequate breeding system, while conforming to safety and quality stipulations (that is, according to the requirements of the processors), modern cultivation, drying and storing complexes, etc., were at an advantage in being accepted for the tender.

Understandably, the majority of developmental investment support was taken advantage of by large-sized farms. The automatic land-based support of cultivation economies guaranteed a profitable return and credit of several hundred million forints required to solidify and secure their power and the intellectual and professional network background, which is indispensable for everything to be securely insured for the investment to pay off, from breeding programs based on an international genetic database to storing feed and professional trustworthiness. If they only had as little room as is needed to store pig feed or the amount of fodder cows require, they would not have been able to attain liquidity for years because of the investment, and they would cease to be exemplary debtors in the eyes of the banks. Plus, money is required to entice efficient professionals.

The farms leading the dairy economy are especially large. The concentration of dairy cows in Hungary is the highest in Europe. Due to livestock kept free and the milking house system brought about by the quick proliferation of ranches, the number of Hungarian cattle has been growing for three years (after several decades of decline). The opening of new infra-

structure was able to supplement the dated, less efficient living conditions of older herds. Due to more exacting breeding process, the profits are higher with the new ranches, so **Hungarian raw milk export is growing again**. (While the hopeless incompetence of the processing industry causes an increase in the import of more desirable milk products.) Herds over the typical 300 head of cattle (which in farms with several thousand milking cows can mean up to 10,000 head of cattle), interestingly, made a rational business by the Hungarian environment that is far from ideal for cow breeding since large herds cannot be put out to pasture. It has been impossible to create, for more than a generation, well-maintained grazing farms in Hungary because the dry summer inhibits intensive grazing and most locations where there are more favorable microclimates and watering options are too expensive, but also because the convoluted property relations inhibit such projects. So, bulk fodder and corn are the main feeding stuff of the cows. This, however, is more expensive than the approach of our Hungary's northern and western neighbors. (All the more so, because it is more profitable to plant corn, sunflowers, and wheat in good soil than it is to plant fodder, and in poor soil even silo corn will not grow.)

Greater feeding costs can be balanced out by meticulously laid out premises, high-level work partner selection, and reducing logistical costs. It is more profitable for the milk factory to have milk brought in using a refrigerated container from northern Italy or southern Transylvania than to get it domestically. The higher asking price for the imported milk is counterbalanced by the manufacturer not having to schedule "collection runs," and the quality of the milk is higher while the health risks are lower.

Similar transformative processes of concentration played out with fruit and vegetable production, and they reached an especially high degree in pig breeding, thanks to the propagation of giant farms employing fastidious breeding programs. **The number of pigs has also been growing again since 2013**. One could say that half of the issues with competitiveness brought to light in the mid-2000s have been resolved: a network of producers was created, able to move large quantities of unified stock, whose loyalty—due to investment—the future half-robotic slaughterhouse giant can count on. (Just as in milk production, meticulously tended livestock have become a reality, which gives credence to the viability of two new milk factories, with products tailored to today's requirements, making an appearance in a market influencing entrance, as recommended by the Milk Products Council. This is lending hope to a level of production being developed in

Hungary that can compete with the domestic and foreign manufacturers who have also gained ground in Hungary.)

This long-awaited situation—one aimed at approaching the industry professionally—was interrupted by the Land Ownership Law, which also threatens the security of large-scale farms along with the newer threat: the government decree that farms over 3,000 acres should not receive EU-derived support. (The EU offer involves a decrease of between 5% and 30% and a limit of €150,000 in support per farm; in addition, decreases in production may be discussed, while employment costs must be added. They can trust in the fact the EU ministries will not contribute to the government’s decision—after all, we are talking about EU money in a unified market—but they may also be afraid that they will be the victims of “national sovereignty.”) With this, the majority of effected companies will lose their profit-making capacity, and many—due to this development—will find their liquidity endangered. The most conscientious developers receive the slap in the face.

The Bravery and “Arrogance” of the Developers

The question may occur to political analysts, as to why, under the Rural Development Program of the second Orbán government, in full knowledge of final version of the Land Ownership Law, were the “big shots” so optimistic that they, instead of looking for an escape route (of course, there were examples of this), continued investing. They might have known that the established land division did not conform to the idealized layout of any political group, while it simultaneously served as a reason for a populist attack. And in light of the formerly valid Land Ownership Law, they must have felt the uncertainty about the viability of their enterprises. (They could only expect an open political defense from the legal offices if the lawyers, submerged in their world of ideas, understood what this is all about, which in itself would have little effect on public opinion.)

However, the “big shots” also knew they were objectively right. The agronomic and processing renewal they brought about: seed cultivation, breeding livestock, trial and error agro-technological samples, all make it possible for the decreasing production of Hungarian agriculture to stop and hold its own among the well-honed international competition and, what is more, through the development of connected occupations, to improve the food industry’s competitiveness in an occupational capacity. **A sane government could not turn against them without risking the future of**

the nation's agriculture. (Perhaps, they overestimated their own role and to what degree a government needs to be sane.) They also saw that most places did not have a real agricultural demand that could actualize working alternatives with the land that they were treating. (The political members of the “big shot” group also understood that they need to take on a helping role with smaller farmers in their area, and occasionally they needed to fill the symbolic role of the one-time village janitor or the one-time land-owner. They were waiting for a political impulse so that—in the interests of employment and more cohesive agriculture—its leaders and patrons would be the connection to small business networks.)

The “big shots” sensed the ambivalence of the government that gained power in 2010, since besides their populist rhetoric they spoke of doubling the number of pigs in the pork program; as a result of this temporary imbalance followed by the reinvigorated return of support tenders, they interpreted this as pertaining to their program. (There are no other likely applicants.) In the week the Land Ownership Law that seemed to alienate them from the market was introduced, the prime minister took part in the initiation of the nation's largest, Western-style cattle farm, giving it as an example. The rhetoric that accompanied the introduction of the law was so saturated with a “self-conscious lack of knowledge” that a person who saw the situation from the inside could not for a moment take it seriously. By the time the bill came to be adopted—they opined—the government would realize they have done the wrong thing.

Following a year's delay, the final legal text of the bill was revealed. The 3,000 acre limit was increased to 4,500 acres—showing significant lenience toward those producing seed grain or breeding livestock. (József Ángyán, state secretary in the Ministry of Rural Development, became so upset about the “concessions made to the oligarchs,” that he handed in his resignation in the beginning of 2012 and resigned from Fidesz the next year.) Yet, **the very same people leading the agronomic and breeding programs remained in the crosshairs.**

In order to dispel misunderstandings: in supporting the breaking down of many giant farms there were also operational farming considerations. Many of them did not grow too large because their owners planned it, but because the need for security and circumstances pointed in this direction, the operational infrastructure had to be adjusted accordingly. The law is dangerous because it prohibits fragmentation, and, most of all, because it gives no opportunity for the realization of a shrinking program, but instead

threatens the removal of the property on expiry of the lease. A “moving” property essentially obstructs responsible farming. (This is why the laws in most countries push for the renting party to buy the property if possible; in Hungary, however, alone in Europe, this is forbidden.) This way even the ownership of properties, on which daily function depends, is in danger.

Increasing Anxiety

Many anxiety-eliciting lessons were provided by the much-discussed **Kishantos case**. The Kishantos Rural Development Center, an internationally known organic demonstration farm and school, was an exemplary proponent of the government’s Rural Development Program. Despite everything, the moment the lease expired on the lands rented by this 1,000 acre facility, the land was given to new owners, some of whom had no agricultural history, and none of whom had ever run a biofarm. **The first lesson: the government does not care about the generally accepted values of citizens, namely the right to use property one has been using under a lease agreement.** (This lesson can be seen in the experience of other incidents of rental relocation.) That is, the government is willfully ignorant of the moral code verbalized some 250 years ago, which is a condition of responsible land use. The new Land Ownership Law makes the leasing privileges of large producers questionable at best. **The second lesson: the government punishes political disloyalty even in the case of those who had been exemplified.** Crucially, the leaders of Kishantos were critical of the state leases handed out without any regard for the interests of local farmers. **The third lesson: if the members of the adopted political family desire a piece of land, they have the advantage over the original renter.**

Alleviating some of the anxiety caused by the fallout from (and precedents being established by) this law was the fact that in recent years some farmers had signed ten-to-twenty-year leases and there was time left to renew the contracts. Therefore, the majority of farmers do not have to deal with land grabbing in the near future. (And perhaps the government will realize sooner or later, that “live and let live” is a wiser policy than strong arming.) In addition, the second source of anxiety—that the support of big farms may decrease by up to 30%—ended in 2014 when the Ministry of Agriculture’s bill elicited a 5% decrease across the band.

A lecture given by István Kapronczai, head of the Agrárgazdasági Kutató Intézet (Research Institute of Agricultural Economics; AKI), in

December 2013, titled “The Present and Future of the Agrarian Economy,” seemed to suggest that sobering voices are becoming louder. His main thesis is that “in the past one or two decades Hungarian agriculture has never been in such a favorable economic condition, as in the last three years.” He argues that the permanence of the proprietary system allows for the renewal of farming, and that the farms being attacked by the government hold the majority of quality livestock—therefore, upsetting the system would endanger the future of Hungarian livestock breeding. However, the law’s supplementary amendments (regarding the regulation of production and integration) “could ease the majority of the threats posed by aspects of the Land Owners Law.” He also states that escaping the decade-long struggles of vertical supply chains would be definitely aided by an upswing in investment in the food industry, with which he is implicitly saying that this requires the support of the import community. He was of the opinion that the “dangers of shared agrarian politics between 2014 and 2020 are great and stem from differences in the decisions of member countries leading to support of specific industry groups. **The decisions made by Hungary in connection with this have been rational and point in the direction of wanting to maintain the status quo.**”²

This was followed by an astonishing turn of events: the bill everyone had become familiar with after the election became a law on 21 July 2014, stating that **farms over a thousand acres shall not receive the EU land-derived support they are entitled to by subjective right.** In a press release, János Lázár, coming from Agricultural Matters to take over the handling of development support as minister of the Prime Minister’s Office, said that livestock farmers would not be in danger since the government was going to help them from the EU (“top-up”) support fund for production. (One need not fear a rapid decline in produce, as in exchange for EU support, developers sign a five-year operational contract.)

The resources that can be put into the “top-up” are meager. Support from this source does not have to come by subjective right—there is not enough money for this, anyway. In order to supplement the abolished land-derived support, farmers probably have to apply for tenders with specific stipulations and by gaining the permission of the politically monitored local functionary. **The message is clear again: I will tell who can be a leading livestock breeder and who I will try to push out of production.** The new support system—with all the patriarchal connotations of the word “support”—serves to replace the normative and market trade-related legiti-

mate proprietary relations with a patron–client system that channels the EU support money through government organizations, mostly into the hands of the adopted political family.

According to an AKI study—and Lázár is aware of these statistics, too—518 farms are directly threatened by the new legislation. They are in possession of one-quarter of farmed land, 45% of dairy stock, and close to one-third of breeding sows. (Therefore, in opposition to Ángyán's assumptions, they are practicing a generally more unified process than small farmers, and therefore their competitive employment capacity is higher.) These obstacles already indicate the high concentration of Hungarian agriculture, especially the large-scale breeding of livestock, although the reality shows a far more concentrated farming framework. This calculation—based on the recording of land-derived support—does not count with cooperative farms. First, partially with the spreading habit—common among smaller landholders too—of “tax-optimization purposes,” certain employees and some landowners are registered as individual smallholders (primary producers). Second, in order for “young smallholders” to receive support, many farms are legally dispersed. It is often practical to shape new branches of business as if they were a new business. Here, the self-conscious developers got into trouble along with those who did not “play it smart”—most of all the farmers with large arable lands, who were developing the breeding of livestock in the confines of individual companies.

It is hard to predict the effect of the government's decree. It will depend on how and who will be able to access the alternative financing channels opened by the government, and under what—mostly political—conditions access will be granted. It is to be expected, however, that the large farm owners will be forced to evaluate the threats enclosed in the Land Ownership Law seriously. True, the law binds the purchase of land to such strict conditions that, with the exception of areas surrounding large cities, they need not be afraid that someone will purchase their leases from under their noses. Moreover, we can expect the lack of competition to cause a decrease in land prices (and with time, the lease prices in rural areas, too). Yet, members of the adopted political family may appear everywhere to compete for leases and there is nothing to protect farmers against this.

The government's efforts are plain to see: **the ruling political family, and primarily the *paterfamilias*, do not like it if independent players can have an impact on people's lives.** It is important that influential players feel that they can attain their role with the cooperation of those in power,

and **if their loyalty is questioned, they will suffer the consequences.** Reforming and degrading the Constitutional Court, the swapping of the Shared Interests Committee, gaining control over the media that reach the public, the placing of service organizations of district representatives under state ownership, the mandatory loyalty demanded of civil officers and later civil servants, the creation of unique contracts between large companies and state connections, etc., is followed in turn by those who want to excel in agriculture. All three systems were created to serve the security of their “family dependence.” The state leasing, the Property Ownership Law, and the—essentially EU originated—support system.

The leasing of state lands—just like the distribution of traffic laws—were so far dealt completely openly on a protection basis: they rewarded complaisant political family members. Following the introduction of the Land Law on 1 April 2014, they cannot do the same as recklessly, since only those who farm in the region can form an estate. The state-offered lease poses a tool for the completion of a new task, however: **It makes the creation of a local circle of patrons possible, patrons who can enter the ranks of serious farmers with the same momentum as they are accepted into the political family.** This process is further aided by the Land Ownership Law as expired leases must be redistributed through political means. (True, the unchallengeable land committees required by the law have not yet been created. So, this right was taken away from them by the members of the Agrarian Chamber, whose officers—similarly to the officers of the late Patriotic Popular Front—were chosen from an approved list by a small number of carefully selected voters.)

The systematic tool that serves to influence the local elite power relations is also used to control the **ongoing selection process among the “big shots.”** The state land lease’s ability to reorganize the layout of fields, as demonstrated by the Hódmezővásárhely example, serves to warn the individualistic livestock breeders of famous market places and also strengthens the position of the neighboring landowner/family member. The Land Ownership Law poses a constant threat to the private lease-holding “big shots,” too. Legal preparations are in progress to counter the threat faced by individual farms that have been targeted by the government. The land-derived support the government was planning to take away, providing partial compensation from the “top-up,” as we have demonstrated in this piece, sends the message that **from now on we determine who is allowed to be in business.**

However, one thing is quite likely: the “big shots,” occupied with their own multiplied grievances, will not be grinding out the next development in food production, and, having seen the uncertainty, potential foreign investors will not be using Hungary to gain leverage on the European milk market, which opened up in April 2015.

NOTES

- ¹ Fórián Zoltán/ÉFOSZ, “A magyarországi élelmiszeripar középtávú stratégiájának alapjai” [The basics of the Hungarian food industry’s mid-term strategy], Agrár Európa Ltd., March 2008.
- ² István Kapronczai, “Agrárgazdálkodásunk jelene és jövője” [The present and future of the agrarian economy], presentation given to the MTA (Hungarian Academy of Sciences), Department of Agrarian Studies, Agricultural Economics Committee, 3 December 2013. Emphasis added.

III.

Márton Kozák

Western Social Development with an Eastern Set of Values?

A quarter of a century after the symbolic event of separating from the communist system, the reburial of the 1956 revolution's martyred prime minister, Imre Nagy, exotic politicians started visiting Budapest. First, the prime minister of Kazakhstan made a strategic deal with Viktor Orbán, who aimed to please the Azeri dictator with the release of an Azerbaijani citizen responsible for the axe murder of a sleeping Armenian soldier, followed by the Turkmen president's welcome visit to the Hungarian capital. According to Freedom House's newest report on the democratic standing of post-communist countries, Turkmenistan is 6.93, Kazakhstan 6.61, and Azerbaijan 6.68 on a scale where 7 is the worst possible value.¹ Hungary's well-maintained and contained relations with these three Islamic post-communist states provides a useful perspective on the remarks of Harvard University economist János Kornai: Hungary is the first and so far the only country, of those that stepped onto the democratic path in 1989–90, to follow the will of the majority and step off the path toward the West, thus moving it from the group of post-communist democracies to the camp of post-communist autocracies.²

In the 1980s, with the collapse of the Soviet Union in the foreseeable future, no one would have predicted this outcome for the most Westernized country in the Eastern Bloc. The relatively free inhabitants of the happiest barracks in the Eastern Bloc saw the future in the brilliant historical analysis of Jenő Szűcs: with Eastern and Central Europe, Hungary included, the Russian bear has appropriated, what he has no relation to, what is not

his. The region pressed between the Elbe–Leitha line and Russia has conformed to the patterns of the West since the Middle Ages. Its social structure, culture, religion, and traditions, albeit with constraints, have essentially followed the Western model, its borders marked by Catholicism and Gothicism. The Western nature of the region, for the world on this side of the Iron Curtain, was exemplified by Hungary: leading European politicians from Helmut Kohl to Margaret Thatcher visited it then as often as Central Asian dictators do today.

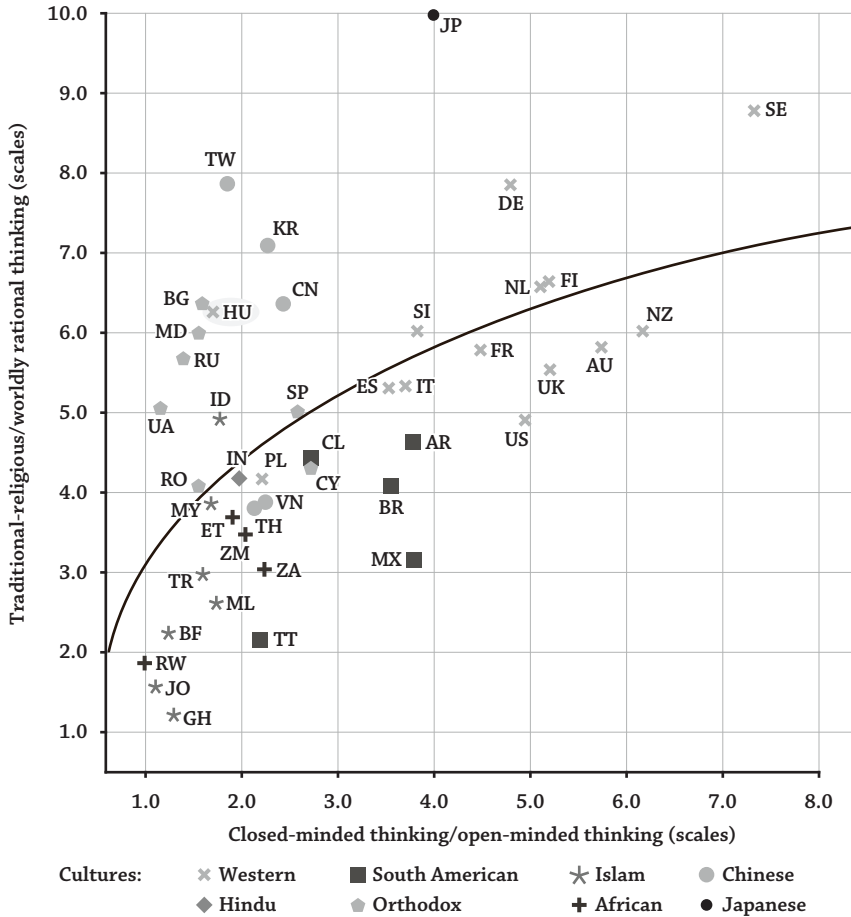
Western Institutions, Eastern Values: Our Place in the World's Values

Since Hungary lost its sovereignty in the sixteenth century—its actions were controlled by the Ottoman Empire, the Habsburgs, the shock caused by the Treaty of Trianon followed by the strict limitation of the Soviet invasion—there was little precedent as to how the country would behave without external limitations. The moment of truth arrived after the collapse of the Soviet empire.

An internationally coordinated survey demonstrated, with the characteristic objectivity of the social sciences, where Hungary's place in the world is, and why.³ The graph, in the form of a map of values, is so antithetic to the view of Hungary as the bastion of Western civilization in the East, that researchers did not believe their eyes. The results of a World Value Survey (WVS) that used harmonized questionnaires and uniform methods to determine values, carried out in dozens of countries between 2005 and 2009 (data collection for Hungary was carried out by the TÁRKI Social Research Institute in March 2009), do not in the least support the conclusions of the survey leader:

According to the results of our research, Hungary—no doubt—is on the map of world values, where its history and cultural heritage places it. Our value structure roughly fits in among the Western Christian cultures, our choices and preferences make us similar to the Western Christian world. However, our value choices demonstrate that in many respects we are at the edge of this group of cultures, as a closed, introverted society.

Graph 1. The Placement of Forty-four Countries of the World Based on Their Values on the Religious/Worldly Rational Thinking and Closed-Minded/Open-Minded Scales⁴



Source: Tamás Keller, *Hungary on the World Values Map* (Budapest: TÁRKI, 2009), 12.

The solution to the country keys provided can be found in the research documentation.

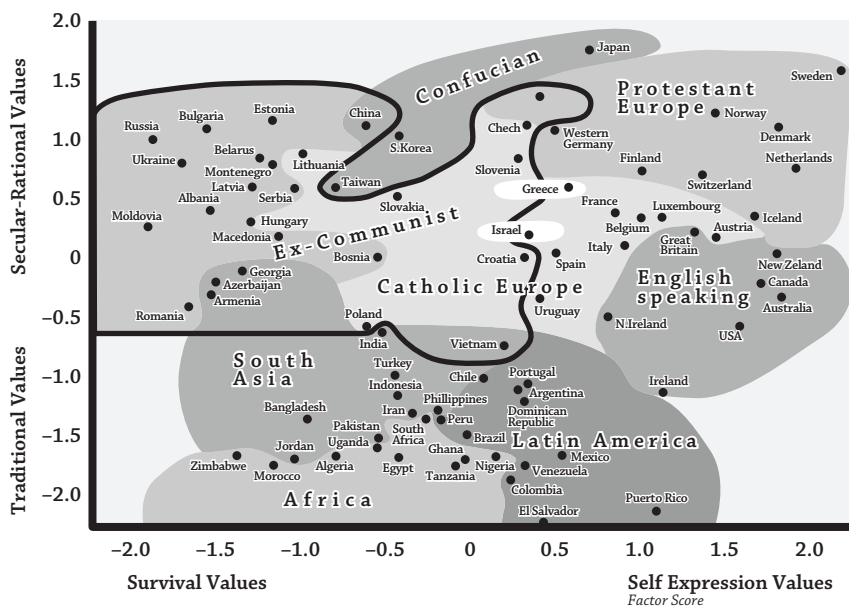
Source: WVS, 5th wave.

The above statement can be understood only if the countries are categorized into separate cultural groups prior to the information being collected, and we qualify the societies based on which religion they practice, whether they use squatting backhouses, or on how many kisses they exchange when they meet (Western: 1, Middle-Eastern Europe: 2, Eastern: 3). If however,

Hungary's placement is determined solely on where the frequencies of data determine it should be, then it is plain to see that our structure of values do not fit into the mould of Western Christian cultures and that our choices and preferences are not similar to those embraced by the Western Christian countries of the world.

The conclusion of the study is incorrect even on the condition that although Hungary is a closed country with introverted values, it is indubitably Western. Or, as the author of the relevant study said, our place is far from the core of Western values; it is closer to Orthodox values. The map clearly shows that Hungarian society is not only removed from the core of Western culture, but is a long way off from its borders, too.⁵ According to the map based on TÁRKI's analysis, Hungary is related to the culture of Orthodox countries, closest in attitude with our neighbors (Moldavians, Bulgarians, Russians, and Ukrainians), compared to whom even the closest members of Western culture are far removed. There is no mistake, this is no anomalous result. If we look at the data from any WVS survey of national values by any country with any data entry date since the 1980s, we find the same results.

Graph 2. The Inglehart–Welzel Cultural Map of the World



Source: Ronald Inglehart and Christian Welzel (WVS Association), <http://upload.wikimedia.org/wikipedia/commons/0/04/Inglehart-Values-Map-Huge.png>.

It is important to note that Hungary's position has not changed by limiting the survey to people under thirty-five years old, meaning that the passing of time, the emergence of new generations, does not change the validity of the description of Hungary as "closed and introverted." Only when the data is limited to university graduates do we come a little closer to the countries on the edge (!) of Western culture.

The conclusion of the survey explains the shocking placement of Hungary with its result on the self-expression, openness/reserved scale. The way of thinking of Hungarians is not only as more reserved than the once-socialist and nonsocialist Western countries but also more so than the citizens of Orthodox countries:

- They consider civil and political freedom less important.
- Their day-to-day political involvement and sense of responsibility is less.
- They are less tolerant of differences.
- Their hierarchy of values ranks self-fulfillment lower.
- They are less likely to believe they have a choice in their own destiny.⁶

Graph 3. The Value of Self-Expression/Survival in Hungary and Three Other Groups of European Countries

Categorization of countries	Open/closed thinking spectrum (index value)	Civil and political freedom rights	Overall trust	Power over fate	Playing a role in politics	Tolerance
1. Non-post-socialist countries adhering to the Western cultural model	2.12	0.17	0.37	0.14	0.57	0.22
2. Post-socialist countries adhering to the Western cultural model	-0.05	0.08	0.19	0.10	0.32	0.09
3. Hungary	-1.37	0.03	0.25	0.08	0.14	0.16
4. Orthodox countries	-1.07	0.05	0.20	0.12	0.15	0.04

Source: István György Tóth, *Bizalomhiány, normazavarok, igazságtalanságérzet, és paternalizmus a magyar társadalom értékserkezetében* [Lack of trust, disturbances of the norm, feelings of injustice, and paternalism in the values of Hungarian society] (Budapest: TÁRKI, 2009).

From the index of civil and political rights: the proportion of those who ranked the importance of freedom of speech in first or second place in a list containing

four choices. The other choices on the list: keeping order in the country; giving people more influence over political decisions; fighting rising prices.

Trust Index: The proportion of society who believe that most people can be trusted.

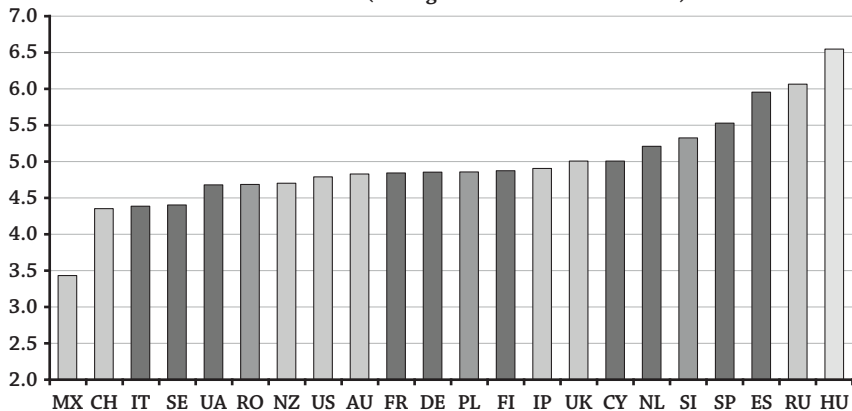
Control over fate: The proportion of society who answered with a 10 on a scale of 1–10 where 1 is “I have no opportunity to control my fate” and 10 is “I have numerous opportunities to control my fate.”

Political responsibility: The proportion of society who during the course of their lives have signed a petition.

Tolerance: “How acceptable do you find homosexuality?” on a scale of 1–10, 10 being very accepting.

Perhaps the most shocking result of the study is that out of the fifty countries participating in the newest WVS survey, Hungarians were the most convinced that wealth can only be acquired to the detriment of others,⁷ that is, our compatriots consider wealth, happiness, and life itself a zero-sum game, where there is no place for cooperation. In the words of a French businessman working in Hungary: “Hungarians would rather have 100% of nothing, than 50% of something.”⁸ Life is a battle, kill or be killed, or as the Hungarian prime minister put it: “Those not seated at the table should not be surprised if they find themselves on the menu.”⁹

Graph 4. Agreement with the “You Can Only Get Rich to the Detriment of Others” Statement in Certain Countries (Average Values on a Scale of 1–10)



Source: István György Tóth, *Bizalomhiány, normazavarok, igazságtalanságérzet, és paternalizmus a magyar társadalom értékrendszerében* [Lack of trust, disturbances of the norm, feelings of injustice, and paternalism in the values of Hungarian society] (Budapest: TÁRKI, 2009), 38.

Note: The question asked the subject to decide, which opinion they agreed with more: 1—people can only get rich at other's detriment; 10—wealth can be increased so that all can benefit from it.

Overinsurance: Uncertainty

Despite belonging to the essentially Western model for social development in Central and Eastern Europe, Hungary has become the empire of an “autocratic pariah.”¹⁰ Why this could happen here, and why the symbol of degenerate social progress, a private stadium on taxpayers’ money with a bonus minitrain be erected in Orbán Viktor’s Felcsút backyard,¹¹ as opposed to Robert Fico, Donald Tusk, or the home village of any other prime minister, is strongly congruent with the revelations of the TÁRKI study, yet it is not sufficient explanation. The Far-Western Near-Orthodox set of values merely created the environment for this. Other factors were necessary to bring about this unique change of direction in the region.

It would be tempting—based on the nature of the set of values demonstrated in this country turned from party state by political infrastructural solutions into representative democracy—to deduce, for example, that the Hungarian population’s fear of uncertainty led to an electoral system where even a small difference in votes could be changed into a comfortable parliamentary majority. While this connection indubitably exists, the political infrastructure was defined by Hungary being the first country to break away from the single party-state system. The global and local uncertainty that accompanied the disintegration of the Eastern Bloc made political players increasingly cautious. Let us not forget that while the National Round Table discussions defining the legal boundaries of transitioning Hungary were concluded in September 1989, the Berlin Wall was still standing, Nicolae Ceaușescu, Todor Zhivkov, and Gustáv Husák were still in power, and elections guaranteeing a majority for the Communist Party were being held in Poland.

So it is not a self-fulfilling prophesy, but the almost accidental status of the then leading Eastern European country, that led the participants of the National Round Table discussions to create rules of political competition that would, against their will, take us in the wrong direction and, despite their intentions, help bring to light the very worst of all the possibilities within us.¹²

Governance at All Costs!

With the exception of Hungary the laws of all transitioning Central and Eastern European countries are chosen by a proportional electoral system.

In the Czech Republic the parliamentary seats are proportionately distributed between the parties who gained more than 5% of the vote. In Slovakia elections are fair and single rounded, a three-fifths majority is needed to change the constitution (that is less than in Hungary, where it is easier to change the constitution). In Poland, parties with over 5% of the vote receive their portion of the 460 mandates in the Sejm (lower house of parliament). In Romania, though the law calls for individual voting districts, the national compensation system still ensures the benefits of a balanced, as opposed to a majority-ruled, parliament; the Constitutional Court ruled that a new voting law passed by parliament, which aimed to introduce a majority election system in place of the balanced one, was unconstitutional. In Estonia the 101 lawmakers are elected in a proportional system. In Serbia elections are single rounded, listed, and at least one-third of the candidates must be women. In Latvia the 100 lawmakers are elected in a proportional system. In Bulgaria the 240 members of the national congregation are elected in proportional election solely by local list.

A proportional electoral system is more accurate than a majority one in reflecting the will of the voters and the political fractions of society, but since parliaments thus formed are comprised of many smaller parties, it is more difficult to create and maintain a coalition capable of governing—these governments are more likely to fail and early elections are more common. For the Hungarian creators of the electoral system in 1989, the ability to govern ranked higher on their list of preferences than the precision with which the political leanings of society could be reflected.

Political stability—this is what every party and every professional politician was trying for, and to achieve this they thought a majority electoral system was the correct method. Politicians wanted to avoid adding political turmoil to the economic and cultural difficulties that came with the transition, so they supported an electoral system that converted small discrepancies in vote count to a greater difference in mandates. The consciously created inequality of the system was increased when the party state parliament overturned the original agreement at the National Round Table talks and increased the number of voting districts by twenty-four and decreased the list-based places by twelve.¹³ Finally, the mostly cooperative effort was crowned by success: all the parties of the newly transitioned Hungary filled out their mandates and there was no need for a transitional election. As it transpires, there is a big price to pay for stability.

The majority electoral system played a key role in Hungarian development taking a drastic turn to the East. A majority electoral system has little impact in countries that have what researchers call "Western culture," characterized by open-mindedness and stable democratic values, such as Great Britain and America where the majority consider the voting power of the minority legitimate. But in a country where the belief that success can only be gained through other people's misfortune is most common, and the culture of and need for cooperation have not been fostered, a majority electoral system only serves to strengthen the hostile attitude toward cooperation. Of course, it is not clear whether a proportionate electoral system would have been able to force cooperation, but we can see that the majority election system only strengthens rather than dulls historically deep-rooted animosity and has created strongly divergent cultural and societal patterns¹⁴ in a closed-minded, intolerant society whose citizens do not consider their rights to freedom important.

In no other transitioning country without a majority electoral system is there such a concentration of political power as there is in Hungary. In no other country is the power so focused in the hands of a single man or the legal, infrastructural, and communicational rights of the opposition so impinged upon. Yet, there is no doubt that other leaders with similar skill sets and hunger for political power to that of the Hungarian prime minister have been born in the region, but their aspirations were not helped by an electoral system perpetuating a "victory or death" attitude.

The electoral system is only one of many flawed infrastructural procedures put in place during the transition: the other was the myriad of two-thirds laws. Of course in 1989 there were rational arguments for their implementation. The fear of an overly powerful party being reinstated, underpinned by the mutual distrust of newly formed parties (some being promoted or created with the support of the secret service and the unpredictable results of the election), suggested that the votes of the smaller parties should be proportionately influential, especially in the first crucial years of this new democracy. However, this legislation meant that the government had to agree with the opposition even in matters that would normally be decided by a simple majority. Following the first free elections, the governing conservative MDF (Hungarian Democratic Forum) and the main opposition, the liberal SZDSZ (Alliance of Free Democrats),¹⁵ managed to remove the greater issues (especially with regards to economic and tax legislation) from legislation, but since this only tightened the group of laws

that require a two-thirds majority, the deadline for the country was merely extended.

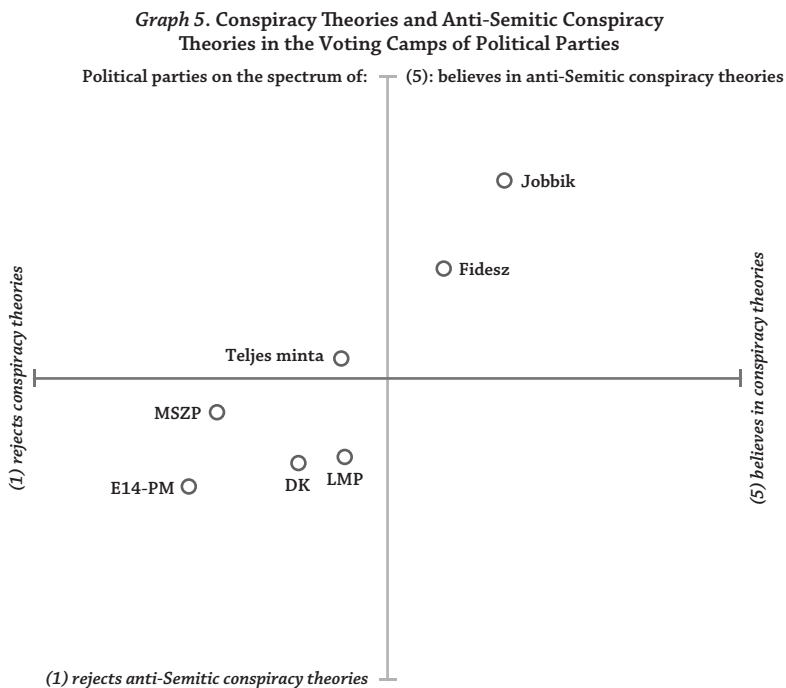
I can best demonstrate the impossibility of the two-thirds system through my experience in a position on the board of trustees for Magyar Televízió (Hungarian Television) as a candidate from SZDSZ between 2002 and 2010. The two-thirds majority media law made the life of the institution hell. Firstly, a financing law based on false market estimations meant that the public channel was underfinanced from the beginning, which made normal operation impossible. If the law could have been changed by a simple majority, it would have been easy to do so and set the financing in order. Secondly, the paritarian board of trustees was set up so that a president of the channel could only be elected with a two-thirds majority. This procedure designed to force consensus gave the then oppositional Fidesz (Alliance of Young Democrats) an exceptionally effective tool for butchering democracy.

Since they were aware that public opinion and the press—not knowing, or not wanting to distinguish between the nature of majority and two-thirds majority laws—held the political parties responsible for their failure to choose a president, they allowed themselves the joke to nominate the daddy of the head of media for Fidesz for president. In any other country such insolence would have fostered outrage, but in Hungary it did not even attract attention. That is, the two-thirds laws made indecision the shared crime and responsibility of all the parties; it paralyzed, disrupted and made ungovernable the area intended to be governed. This greatly contributed to the loss of face of the representative democracy.

According to Péter Szente, then head of the Hungarian department of the BBC and member of the SZDSZ board of trustees for Magyar Rádió (Hungarian Radio), despite the weaknesses of the media law it would have worked in Great Britain, where the oversights of the legal text would have been easily corrected by the similar political cultures of the participating people. According to this, it is certain that in a country that has assimilated Western culture into its set of values, the combination of a majority election system and two-thirds majority laws would not have proven to be self-defeating policies. There, it would have ensured the legal basis for long-term cooperation (social, political win-win game), here it made way for never-ending obstruction (lose-lose game).

However, as previously shown, Hungary, or more precisely the greater and therefore more influential part of Hungarian society, does not belong

in the Western Cultural zone. Belief in conspiracy theories, especially anti-Semitic conspiracy theories, is an indicator of cultural dichotomy and the prevalent attitude of the voters. According to a survey done by Political Capital, a Budapest-based policy research and consulting institute, in 2013, the voters of the two most popular parties, the far-right Jobbik and Fidesz, are far more likely to believe than others that Jews are secretly plotting world domination and agree with statements such as: "Secret organizations are threatening our nation's stability." That is, belief in conspiracy theories is a contributing factor to the culture of the majority of politically active people, in the face of which politics that combines rational reason with voter interests is powerless.



Source: <http://www.szombat.org/politika/antiszemita-bestiarium>.

Using the double social structure model of Hungarian sociologist Ferenc Erdei as an interpretive framework,¹⁶ we can identify with relative accuracy the character and attitude of the two societal groups until 2010, as the socialist-liberal and the conservative-national. The former, "nontraditional" parties strived to follow the spirit of a representative democracy in

their politics. For example, even when they possessed a two-thirds majority, they bolstered the rights of the opposition and did not try to destroy them. However, the parties of “traditional” society led by Fidesz have, since their election in 1998, treated the tools they received as a magic weapon for the liquidation of a citizen’s democracy designed to maintain a balance of power. There is a clear path from the appointment of Lajos Simicska, a long-time friend of Viktor Orbán, to be head of APEH, Hungary’s internal revenue service, to the tax-related offensive against TV channel RTL Klub that had been critical of the government, as well as from the 1999 media board of trustees being dominated by Fidesz through legal trickery to the revamped media law in 2010 that legally appointed only Fidesz members to the newly founded National Media and Infocommunications Authority.

And since a chain is only as strong as its weakest link, however populous and integrated it may be, the failure to conform to a Western cultural set-up was unavoidable.

The Judgment of Salamon

The theoretical dilemma of whether “Western social development can coexist with an Eastern set of values” was certainly steered toward the East by the fear of the innumerable uncertainties Hungary faced when deciding on political/infrastructural solutions that would lead to the collapse of representative democracy. But in order for this process to result in a new type of autocratic regime, the post-communist mafia state, two factors had to uniquely interact.

Despite the rapidly declining popularity of the right-wing conservative MDF and its government comprised of smallholders and Christian Democrats who were elected in 1990, it was clear that in this historically bedraggled national society, especially the ruling class, the identity giving and exemplary lords (Christian, historical, national) of the middle class were firmly clinging to life despite their responsibility for the national tragedy of 1944–45 and four decades spent in casemates, underground. But it was also apparent that the contents of identity and the examples followed were outdated and anachronistic, and this was made even more clear by the strong contrast between Prime Minister József Antall, who took representative democracy and the rule of law seriously, and the value sets of the social bases the parties supporting him relied upon. The latter, the stereotyping

gentry of the middle class, expect their political leader to secure them ruling and financial dominance, that is to take someone else's retirement fund, tobacco shop, or land, have the election system rigged to order and then ride in Bocskai livery¹⁷ into Romanian Kézdivásárhely (Târgu Secuiesc, Covasna County) separated from Hungary following the Trianon Peace Treaty; just like the deputy prime minister of the Fidesz government did in 2013. For him this was the pinnacle of political achievement, not striking a compromise with a political opponent, or showing respect for the law.

The defeat in 1994 of this societal group who claim and believe it is their calling to lead the nation, brought about a double revelation: first, that accepting political competition could lead to their loss of power, and, second, that they have no effective techniques, in a parliamentary environment, for gaining and maintaining power.

It was to these problems that the heretofore liberal Fidesz proposed a solution. The government led by Orbán recognized the opportunities in the cultural, organizational, and connectional capital of the gentry/historical middle class (as seen, for example, in the strong connection with the churches), and by now, in possession of the two-thirds majority they have broken up the conditions for free political competition. In the same way as the connection of "hands" and "tools," capital brought about an unheard of quality, i.e., created capitalism, so by connecting the historical middle class and their inherent legitimacy with amoral societal techniques, thereby ensuring total power till the end of time and creating a "central power field," Fidesz also created a new formation. However, this connection did not give birth to constructive capitalism but to a post-communist mafia state.

Fidesz's innovation, the introduction of amorality to the connection, could not have been successful without the cooperation of the gentry/historical middle class, without the total abandonment and undignified surrender of their own progressive, Western traditions. The career paths of two political representatives, István Balsai and László Salamon, are perfect illustrations of the process.

Both graduates of law, they began their political careers as close associates of József Antall, after whom a wing of the headquarters of the European Parliament in Brussels is named. At the first free elections in 1990 they became parliamentary representatives for MDF, and as confidants of Antall, the head of government, were present among the negotiators and signees of the agreement between MDF and SZDSZ on limiting govern-

mental tools. In the first parliamentary cycle of the new democracy Balsai was minister of justice and Salamon was president of the Committee for Constitutional, Legal-Preparatory, and Justice Matters. Salamon moved to the Fidesz faction in 1996, Balsai in 2005. Their unconditional political loyalty was acknowledged by Prime Minister Orbán when, after 2010, he made both parliamentary representatives of Fidesz into constitutional judges. Now these two gentlemen serve a politician whose name will perhaps one day adorn the wing of a building in Astana, Baku, or Ashgabat.

There is no sign or probability that the change caused either of them any dilemma. But if something similar had happened, their audacity could be reconstructed through the paraphrased words from *Judith*, the play by the famous nineteenth-century German dramatist Friedrich Hebbel: “And if God had placed sin [meaning: accepting the young mafiosos’ services] between the historical classes and deeds [meaning: possession of power forever] subject to the historical classes—well, I’d be an idiot to extricate myself.”

NOTES

¹ http://www.freedomhouse.org/sites/default/files/NIT2014%20booklet_WEBSITE.pdf.

² Kornai.

³ See documentation of research: <http://www.tarki.hu/hu/research/gazdkult/index.html> and <http://www.worldvaluessurvey.org/wvs.jsp>.

⁴ http://www.tarki.hu/hu/research/gazdkult_wvs_keller.pdf, 12.

⁵ One can only be complementary of the work done by the TÁRKI researchers, but on these points I sometimes felt as if I were reading Stephen Leacock: “It was a wild and stormy night on the West Coast of Scotland. This, however, is immaterial to the present story, as the scene is not laid in the West of Scotland. For the matter of that the weather was just as bad on the East Coast of Ireland” (“Gertrude the Governess; Or, Simple Seventeen,” in *Nonsense Novels* (1911).

⁶ www.tarki.hu/hu/research/gazdkult/gazdkult_elemzeszaro_toth.pdf, 13.

⁷ www.tarki.hu/hu/research/gazdkult/gazdkult_elemzeszaro_toth.pdf, 38.

⁸ Michel Karády, founder and owner of Mediagnozis (known today as Kantar Media).

⁹ From Prime Minister Viktor Orbán’s speech at the National Assembly, 10 May 2014. <http://www.parlament.hu/ulesnap-felszolalasai>.

¹⁰ <http://www.reuters.com/article/2014/06/24/uk-eu-commission-britain-idUSKBN0EZ1RR20140624>.

¹¹ The 3,500-seat ultra-modern stadium was built next to the prime minister’s house in the village of Felcsút, population 1,800.

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- ¹² For a description of the evolution of the electoral system, see: János Áder, "Kinek az érdeke" [In whose interest], in *Magyarország politikai évkönyve 1991* [Hungarian political yearbook 1991], ed. Sándor Kurtán, Péter Sándor, and László Vass ([Hungary]: Ökonómia Alapítvány-Economix RT, 1991), 68–74.
- ¹³ "The plans for the electoral rights were negotiated in mid-October 1989. By this time, MSZMP (Hungarian Socialist Workers' Party) had morphed into MSZP (Hungarian Socialist Party) and the earlier party discipline disintegrated. Barely half of the former MSZMP members joined the new party. Great pressure was put on the government at the committee and plenary sessions, complaining that the individual voting districts had shrunk to half their number" (Áder, "Kinek az érdeke," 72–73).
- ¹⁴ See the work of sociologist and popular writer Ferenc Erdei (1910–1971), such as "A magyar társadalom a két háború között" [Hungarian society between the two wars], *Valóság*, 4–5 (1976).
- ¹⁵ For the text of the MDF–SZDSZ agreement, see Sándor Kurtán, Péter Sándor, and László Vass, eds., *Magyarország politikai évkönyve 1991* [Hungarian political yearbook 1991] ([Hungary]: Ökonómia Alapítvány-Economix RT, 1991), 428–29.
- ¹⁶ Erdei, "A magyar társadalom a két háború között."
- ¹⁷ Bocskai livery was popular between the two world wars among people of right-wing/nationalist sentiment.

Krisztián Ungváry

“One Camp, One Banner”¹: How Fidesz Views History

The historical memory of a society reflects its political situation. In the last two and a half decades, the political system radically changed in Hungary, and a reevaluation of the historical past is completely natural after such a change of regime. In a country where after 1945 the (first clandestine, but soon open) dictatorship of the Communist Party made any discussion of the past all but impossible, with the communist view of history being forced on the society, the years of the transition should have brought significant changes in symbolic memory. Yet, looking back on those years, it is surprising how little changed in the first decade after the regime change, and how much a decade later.

The slow pace of the **reevaluation of history** can be accounted for by the peculiar situation of the Hungarian party state. As opposed to other countries in the Eastern bloc, in Hungary the party state played a leading role in dismantling its own dictatorship—not without interest, obviously.² In the “happiest barracks” of the Warsaw Pact, in the 1970s there were spaces of freedom that would have been unimaginable in the Soviet Union or the GDR. A number of issues concerning historical memory were taken out of the set of taboo subjects during the dictatorship. Although certain limitations were still in force until 1990, many “embarrassing” topics of Hungarian history, including the country’s participation in World War II, the responsibility of the Hungarian administration in the Holocaust, or the situation of the Hungarian minorities in neighboring countries were discussed in certain fora and with certain restrictions. This did not mean, of

course, that these issues could be discussed in the official state media, but it did mean that the party state enforced its will in different ways on different levels of public life. Only two topics remained completely off-limits: the memory of the 1956 revolution and anticommunism. The reason for this was obviously the fact that Hungary was a country occupied by Soviet troops and basically controlled by Moscow. Anticommunism and the 1956 revolution meant the rejection of that.

For certain reasons, it was not in the best interest of the left-liberal opposition, who were among the leaders of the regime change, to revive anticommunist traditions. This, in spite of the fact that before 1991 the political force which represented these people, the Alliance of Free Democrats (SZDSZ), seemed to be the most anticommunist of all political formations, which won them many voters with right-wing sympathies. This proved to be a historical mistake later on, as leaders of the SZDSZ were in fact representatives of an antitotalitarian rather than a right-wing ideology, their anticommunist leanings being “merely” a consequence of the fact that, as opposed to the Hungarian Democratic Forum (MDF), which initially did not even conceive of itself as a political party and tried to establish a constructive relationship with the Hungarian Socialist Workers’ Party (MSZMP) up to the beginning of 1989, SZDSZ openly defined itself as a radical opposition party, an antithesis of MSZMP.

The victory of the conservative opposition (MDF) in 1990 did not mean a significant change of power relations in the media. For various reasons, left-liberal intellectuals continued to dominate public discourse. However, the anticommunist rhetoric that had characterized that political side before 1990 virtually disappeared. This change was due to the fact that in the new political system the liberal side considered the new conservative forces, rather than the successors of the Communist Party, their main political opponents. It is to be noted that although this decision is partly understandable, it was not wholly necessary. One thing is certain, however: there was no attempt to transform the interpretation of the past in the period before 1998. The legal basis of the new Hungarian republic was developed by the MSZMP, and the round table discussions did not change this significantly. That 1956 was in fact a revolution was explicitly claimed by the democratic opposition, with the rest of the organizations of the opposition joining only later. However, the MSZMP got to play a considerable role in this process by participating in shaping the canon of 1956 in the summer of

1989, first and foremost by manipulating the reburial of Imre Nagy,³ and by introducing the thesis of revolutionary continuity.

After 1990, there were several attempts to shape a new right-wing politics of memory, but they mostly failed. The MDF consisted of extremely heterogeneous groups with very different ideas about the national canon. The intellectual heirs of the so-called *népi* (rural) writers and the representatives of the Christian middle class, for instance, related to the pre-1945 political system in completely different ways, and their participation in the party state was also very different. The former group, whose members were considered “fellow travelers” by the Communist Party, was accorded a special place in the party’s system of alliances, whereas the latter group was dealt no cards at all. There were weak attempts by the new government at transformation, but without any consensus, even within the party. One of these was the failed attempt to properly implement the “Justitia plan” which was supposed to provide a legal basis for dealing with crimes committed by the party state before 1990, or the suppression of attempts to clear up the operation of the state security.

The political right started to find a new identity after 1998, with Fidesz having a major role in initiating this process. The search for a new identity was certainly facilitated by the fact that the interpretation of history of the socialist–liberal governments and many left–liberal intellectuals was highly problematic.

The liberal side committed a grave mistake in applying the principle of “looking forward rather than being preoccupied with the past” to the crimes of the communists, but not to crimes committed before 1945. They were also wrong when they refused to deal with affairs of the national community as a principle, affirming the idea of the world citizen who has multiple identities. This was partly due to the extremely negative experience of liberals who engaged in discussion of pre-1945 national issues, which often manifested as anti-Semitism and nationalism, and partly to a peculiar version of Marxist universalism.

Some examples of these interpretations that proved to be untenable are the thesis that the 1956 revolution was in fact a civil war; that Hungary was liberated and regained independence in 1945; and that the bolshevization of Hungary was in fact due to the offensive attitude of the Western powers.⁴ Katalin Szili, at the time the No. 2 leader of the Hungarian Socialist Party (MSZP), said at a press conference about communist

crimes: "Socialists are asking forgiveness for all the crimes of the past and the future, whether it was us who committed them or someone else. We are asking the Hungarian nation to forgive the sins of the past, just as we forgive those who sinned against us, whether it was us who committed the crimes or someone else."⁵

This statement by Szili is worth analyzing. There is a religious tinge to her words, while in fact they belie what they refer to. The primary and fundamental condition for absolution is repentance. But instead of repentance, Szili presents the whole problem as an essentially insignificant one, equating sins committed by their own predecessors with those committed by their current political opponent. This is fairly unpleasant in itself, but she adds insult to injury when she asks forgiveness for future crimes, and by extending the apology to crimes committed by others, neither of which is she entitled to repent for.

In West Germany, the process of arriving at a consensus about the past and about recognizing German responsibility took much more than two decades after World War II. Thus, it is not at all surprising that no such consensus has been achieved in Hungary yet, as public discourse has been free for only twenty-five years.

We should mention two other reasons why many people reject liberalism and leftism in Hungary. One is **the political tension between the generations**. Among those born after 1980, anticommunism and antiliberalism are overrepresented. Members of this generation are unwilling to adopt the often very different political language and value system of their parents and grandparents. In this respect, the spread of right-wing politics in Hungary amounts to a "negative 1968."

The other important factor is the **negative experience about modernity** in both younger and older generations. This is caused by the adverse phenomena of market economy, including anxiety about debts; the often criminal practice of privatization; as well as the collapse of some traditional branches of Hungarian industry and agriculture. This is compounded by the conflict between the Roma and the non-Roma, which has become not only a social but an ethnic conflict in certain regions, as well as the chauvinistic attitude toward ethnic Hungarians living in neighboring countries of the majority in those states, causing severe problems for ethnic Hungarians in Serbia, Slovakia, and Romania.

Search for New Political Paths

It is a well-known fact that politicians are not concerned with history for its own sake. Therefore, it is not surprising that the relationship of Fidesz to history is instrumental, in the sense that there are always **actual political expectations** behind historical messages. The novelty Fidesz brought to the scene is the politics of history as a performative act. The “civic” (i.e., nonleftist) government, as Fidesz is wont to call itself, has made a “performance” of some of the most exciting historical issues,⁶ not only making their own version more palpable and more authentic for voters, but also using much more modern and efficient means than their political opponents. This performative character is present in the House of Terror (to be discussed later), in a film about the settlement of the Magyars in the territory of Hungary (*Honfoglalás* [The conquest], dir. Gábor Koltay, 1996), as well as in various events of the Hungarian Millennium.

It is important to make a distinction between performative history and public history. The former is essentially different from the distillation for the public of historical content researched by scholars as the latter involves serious scholarly work. However, none of the historians in Fidesz circles⁷ has earned the title of doctor of the Hungarian Academy of Sciences (MTA), or the title of corresponding member or regular member. None of them has ever written a monograph on any of the controversial issues of the twentieth century. Rather than conveying knowledge based on sound scholarship, the performative history of Fidesz conveys a certain feeling of life which has an antielitist content, and is associated with national homogeneity, innocence, and victimhood. In this respect, the politics of history of Fidesz is not significantly different from similar attempts by the Romanian or Slovakian nation-state.

Within certain limits, the stereotypes of a **performative attitude to history** can be changed randomly. This is exemplified by the fact that the first such Fidesz project, the Hungarian Millennium, advertised the value of belonging to Christianity and the West, at a time when Hungary was about to join the European Union. Ever since 2010, however, the ideology of Turanism and the Asian origin of Hungarians have begun to play a greater role in the politics of history of the Hungarian state.

The **postulate of national innocence** is a constant theme of these stereotypes. That is why a major figure and cultural censor of the party

state, István Nemeskürty, has come to play an important role. His activities had been rewarded with various Communist decorations: his greatest recognition was the rarely awarded Order for Socialist Hungary in 1985. Nemeskürty received the Corvin Chain (2001) and the Kossuth Grand Prize (2011) from the Fidesz government, and also received a *Prima Primissima* (2003). In Nemeskürty's reading, Hungary's role in World War II was determined by the fact that Germans forced Hungary, intent on regaining lands largely populated by Hungarians and lost after World War I, to enter the war but did not make good on their promise to supply Hungary with arms.⁸ A good example of Nemeskürty's political credo is his recommendation for his own volume of historical essays, published in the year before Hungary joined the EU: "By what were our enemies encouraged to mutilate our country? Why is it that from time to time they try to disinherit us from Europe, and take us back only after we have submitted a petition for reprieve, and after we have repented and asked for pardon a million times?"

These sentences contain many of the topics mentioned above in a nutshell. They attest to an unfounded grudge politics, innocent victimhood, and a belief in a collective, homogeneous attitude toward Hungary, whereas in fact the Treaty of Trianon is not related to Hungary's rejection by Europe, nor was Hungary "taken back" as a favor, but rather as a result of the country's acceptance of the legal order of the European Union. (And, by the way, Hungary has been constantly receiving more money from the EU than what it contributes.) We should also note the use of the first person plural, a fairly uncommon practice when discussing historical events in a scholarly work. The reader of these sentences did not witness the mutilation of Hungary in the 1920s—that generation has already died out, and their story is not identical with ours, even if the consequences certainly concern those who are living now. Besides, the shock of the Treaty of Trianon was experienced by various people in various ways, eliciting various political responses. Obviously, these cannot be accounted for in a view of history with a vision of a unified and homogeneous nation-state, the inhabitants of which are divided only by vicious politicians.

The New Narrative: The House of Terror

The House of Terror, the new museum at 60 Andrásy Street in Budapest, was opened on 24 February 2002. The planning had been going on for four

years, and its importance is marked by the fact that Viktor Orbán himself gave the opening speech.

In several respects, this museum is the greatest project of the politics of history in the last few decades, and it also represents Fidesz's idea of the politics of history. Not only is the project unparalleled in the financial sense (with c. HUF 7 billion—USD 25 million—spent in current HUF value); the size of the exhibition space and the variety of audiovisual methods used are also unmatched in the history of Hungarian museums. The presentation is certainly novel, and, to quote media scholar Péter György, this is the first exhibition which is “not intended for the intellectual elite but for hundreds of thousands.”

We should note that the aim of the House of Terror is to showcase the complete impotence of socialist–liberal governments, as well as the embarrassing points of the historical vision of the right wing. Because of its past, the House of Terror is an iconic building—before 1945, it was the scene of first Arrow Cross, then communist, terror. Yet, it did not occur to the socialist–liberal coalition government to create an exhibition there. And not only that: when anyone spoke up about the communist past of the building, it always ended up in scandal, as in the case of the Mrs. Császár affair. Mrs. József Császár worked in the personnel unit of the Ministry of the Interior for four decades. In 1995, she issued a certificate to Tibor Vajda, a former head of the investigation department of the State Protection Authority (ÁVH), confirming that it was strictly forbidden for ÁVH staff to beat people. She did this at the request of Vajda who was recognized in Australia by one of his victims, who then revealed Vajda's real identity, and who in turn was reported by Vajda for defamation. To make things worse, Vajda was represented by a lawyer who worked with a firm the founder and member of which was a member of the Alliance of Free Democrats, and by another lawyer whose family and himself belonged to the innermost circles of the ÁVH, and who obviously at least understood the crimes of the organization.⁹ However, all the socialist–liberal government did was to communicate their regret, and Mrs. Császár remained in her position undisciplined up to 1998.

There is **not one single family in Hungary that is not affected by either Nazi or communist dictatorship** in one way or another. The majority of the society experienced both, as a victim and as a perpetrator, and the experience of victimhood is supposedly more abiding in most families. The role of the victim is quite obvious: during the months of Arrow

Cross terror, it was not only Jews who were persecuted but anyone who was not ready to sacrifice their lives in the struggle against the Bolsheviks, while in the communist era the whole society, including communists, lived in terror. The role of the perpetrator, however, is much more complicated and unpleasant: both the Arrow Cross Party and the communists integrated a large number of people. The exhibitors decided to showcase the history of the house from 15 October 1944, as it was after that date that the house actually became a house of terror (although the Arrow Cross Party and its predecessors had been its tenants for a decade). As there were “only” 4,000 Arrow Cross Party members who actively terrorized Budapest citizens after the Arrow Cross takeover, the exhibition treats the extreme right in a simplified way—although it was between 1938–41, and in the summer/autumn of 1944 when Jewish property was plundered, that the Arrow Cross movement and the Hungarian extreme right mobilized the largest number of people, this is not thematized at the exhibition as all that happened before the date designated as the initial date of the exhibition. The events of that era are showcased at the **Holocaust Memorial Center** in Páva Street (to be discussed later), established on the basis of a 1999 Fidesz government resolution and opened in 2004.

The grave falsification of history at this exhibition has already been discussed in many articles. Here I will restrain myself to presenting the most important conceptual problems. While a whole room is devoted to anticommunist resistance, antifascist resistance is not even mentioned. If it was mentioned, it would immediately be obvious that perpetrator and victim are categories that cannot be separated in a sterile way, as there were former antifascist resistance fighters among the greatest perpetrators of the communist secret police. Anticommunist resistance is presented in an exclusively positive context, although a considerable number of anticommunists were not fighting as democrats but as racists. An example for the latter is Zoltán Bilkei-Pap, whose anticommunist activity consisted in producing flyers about the Jewish origin of communist leaders.

According to the conception of the exhibitors and Viktor Orbán’s opening words, both dictatorships came to power with the support of foreign powers, so there would be no House of Terror without those foreign powers. Although this argument is formally true, the museum built a false view of history and a set of half-truths on this claim. To mention just one example: according to information on the website and on touch screens, after the German occupation Hungary “no longer protected its

fellow citizens of Jewish origin.” One would infer from this that they *did* protect them before that date. This means that we do not make a distinction between Pál Teleki, the chief anti-Semite who asked Hitler to deport Jews as early as in 1940; the parliament, which demanded the enactment of Jewish laws more and more radically; and the moderately anti-Semitic Miklós Kállay, who tried to swim against the current. To call what happened to Hungarian Jewry before 1941 “protection” is sheer blasphemy. In 1943, Horthy also “protected” Jews against Hitler, who declared that Jews will either work or die. What the museum calls “protection,” however, amounted to a policy which approved of the deprivation of rights of Hungarian Jewry, the restriction of their role in society, and eventually their deportation though not their physical annihilation.

Positing the German occupation as a decisive boundary, the exhibition anticipated the historico-political principles laid down in the Fundamental Law of Hungary that entered into force on 1 January 2012. The common point between the two is that they exempt the Hungarian government from responsibility in the most disturbing times of twentieth-century history.

The Place of the Holocaust

Parallel to the House of Terror, a Holocaust Memorial Center was established in Páva Street, and the Holocaust Memorial Day and the Memorial Day for the Victims of Communism were introduced. The case of the Holocaust Museum illustrates how both political sides bear responsibility for the misguided discourses of memory politics after the regime change. This includes organizations for the protection of Jewish interests as well, the role of which in discussions about the memory of the Holocaust is quite problematic anyway, as the large majority of “Jews” would not like to be identified as Jews by the majority population, so they do not consider Jewish organizations as their own.

When discussing political decisions about the memory of the Holocaust, we should not ignore the fact that the Holocaust as a memory culture is a primarily Western, or even American, phenomenon. Ironically, it is most prominent in the US, where it was not organically embedded in the society, and where the culture of the Holocaust became a sort of ersatz religion.¹⁰ This in itself would have been enough for the memory politics of the Holocaust to seem like Western intrusion.

Strangely enough, the synagogue in Páva Street was not contested by any of the political decision makers as the scene for the museum, although it is obviously an unsuitable place to establish a Holocaust memorial site. The socialist–liberal side had probably no opinion to speak of. Jewish organizations thought they would profit from this arrangement as the renovation of the synagogue would not be on their budget; also, one surmises that some people may have had financial interests in the renovation. The government also profited since by choosing a synagogue they could create a context that would be desirable for some of their voters, the symbolic message of the new museum being: if you are interested in the Holocaust, go visit a synagogue. This is “Jewish” history, after all. Ironically, no one noticed at the time that this explanation coincides with that of anti-Semites who drew their conclusions from the origin rather than the self-identity of the victims. The Páva Street site was very suitable for tearing out the history of the Holocaust from the chapters of Hungarian national history since by locating it in a synagogue, the memory of the Holocaust was transformed into a religious issue—besides, this location is further away from the city center. The fact that Miklós Radnóti, and many others, do not fit in this memory-political solution did not seem to bother anyone, although the vast majority of Hungarian Jewry have not observed strict religious practice since 1938, with about 10% of Jews having adopted Christianity, and another 10% living in mixed marriages.

Moreover, the museum was designed in a way that it was all but impossible to divide it into appropriate museum rooms; besides, the necessity of housing archives did not even occur to the designers. It is not surprising that the museum has pathetic visitor numbers ever since it was opened—the annual number of visitors does not exceed 30,000. For the sake of comparison, the great synagogue in Dohány Street has 400,000 visitors each year, and the House of Terror boasts a similarly high number.

Commemorations of the Holocaust have been determined by the fact that they are held not only separately from commemorations of the communist dictatorship, but to a certain extent in opposition to them. This is largely due to the left—it is a symbolic fact that the president of the first board of trustees of the Holocaust Memorial Center was simultaneously the president of the János Kádár Foundation. In other words, a significant number of the trustees of the memory of the Holocaust show no empathy whatsoever for the victims of communism.

It is no surprise that such gestures did not help engender empathy for victims of the Holocaust on the right. Even worse is the tendency to set the **two memories against each other**, or to treat them as competitors. In 2000, the parliament decided to enact the Memorial Day for the Victims of Communism. Controversies were put off with the promise to enact a separate Holocaust Memorial Day as well in the future. The former is celebrated on 25 February, the day when Béla Kovács, the secretary of the Smallholders' Party and an eminent anticommunist, was deported to the Soviet Union; the latter on 27 January. Strangely enough, although the official idea of the House of Terror was to represent totalitarianism, it did not occur to the creators to convey the message of totalitarianism in its depth. If it had occurred to them, they would have presented the atrocities of the Nazi and the communist dictatorships together rather than separately, and there would be a common memorial day for the two. The current solution, however, recognizes only one of them—incorporating one into collective memory, and making the other an obligatory but exotic event which reminds us of the suffering of “others” (suffering that Hungary has not much to do with, having allegedly lost her independence).

The Monument of the German Occupation

The monument hastily erected by the government, the title of which suggests that it is supposed to remind us of the victims of German occupation, is an essential impression of the “performative vision of history” as well as the best proof of the thoroughly considered communication strategy of Fidesz. Nobody in particular asked for this monument. No consensus was sought with organizations for the protection of victims' interests. The sculptor, Péter Párkányi Raab, an artist favored by the government, was commissioned without a tender. The artistic and historical justification for the monument was teeming with historical errors and typos, and the monument itself is no more than an act of cheap plagiarism. It was erected under cover of night, without an official inauguration ceremony. These circumstances are so unusual that it is worth taking a close look at the intentions of the government.

The historical message of the monument is not hard to decipher: the German eagle, a clumsy and vulgar representation of Nazism (which, by

the way, is not a Nazi but a German national symbol) attacks the archangel Gabriel, who symbolizes innocence and who is also supposed to symbolize the victims and the Hungarian nation. It is somewhat problematic that the figure of Gabriel was never really a symbol of these in the history of art, but the artist seems not to have worried too much about that. There are no Hungarian perpetrators in the symbolic space of the monument, although Hungary was allied with Nazi Germany in 1944, and Hungarian authorities played a prominent role in the deportation of Hungarian Jewry.

The monument became a major domestic scandal even before it was erected. Left-wing parties and some Jewish organizations openly protested against it, but all the comment they earned from the speaker of the parliament was how remarkable it was to see Jews siding with the left once again. At the same time, the government asked for pardon for the Holocaust at all possible international fora, including the UN, and the government never tired of stressing this.

The majority of Hungarian citizens do not feel they have anything to do with the Holocaust. Most of the voters think that this is basically a problem of “the Germans,” that it has been rehashed a million times, and there is no need to argue about it again. It is this public sentiment that Fidesz took advantage of by erecting the monument. They created an impossible situation for their main competitor, the far-right party Jobbik, as it could not possibly criticize the government openly. Those who were outraged by the monument are a small minority, and they are rather conscious voters who would have voted for opposition parties anyway, so this action did not mobilize the camp of the opposition. On the government side, however, the action did have a mobilizing force as it communicated to Fidesz sympathizers that “we do all we can for them, and they are still not satisfied.” The demonstrations around the monument are blatant proof of the fact that Fidesz was right in their estimation of power relations: aside from a few hundred fairly well-known demonstrators, nobody protests against the monument any longer. Those who do protest are so weak that their demonstration is actually an unwitting, spectacular political performance which bolsters the government’s propaganda. The predictable indifference of Hungarian society and the low number of demonstrators indirectly turned the protest into a progovernment demonstration. The long-term moral damage this short-term communication strategy caused, however, is inestimable.

The View of History of the Fundamental Law

The preamble of the Fundamental Law of Hungary, in force since 1 January 2012, is in fact a **logical continuation of the view of history evidenced in the House of Terror**. It declares that “We date the restoration of our country’s self-determination, lost on the nineteenth day of March 1944, from the second day of May 1990, when the first freely elected organ of popular representation was formed.” This quotation, however, is extremely problematic. The Hungarian parliament remained in place after the German occupation of Hungary; only seventeen members of the House of Representatives and ten members of the House of Magnates were arrested. Miklós Horthy himself appointed the prime minister; he refused to appoint persons proposed by the Germans until eventually they reached a compromise. The measures of the Sztójay government were passed by the parliament without any coercion. The government consisted of ministers who were also ministers before, without exception, so it was not coercion but conviction that motivated their work. The measures of the government did not elicit strikes in the country, there were no mass protests or armed resistance against them. On the contrary. As a result of the “dejudaization” that had been thoroughly prepared and implemented without any German assistance to speak of (while Eichmann had a few dozen people, deployed to Hungary as observers, there were 200,000 Hungarian officials who participated in the process), the standard of living was rising for some time. However, as a result of the Sztójay government’s measures, the price level of foreign currency, precious metals, as well as real estate and goods plummeted to levels unseen before. The property of 437,000 people was confiscated and given to people who did not even dream of such riches before.

It should be noted that the anti-Jewish measures of the Sztójay government had already existed before the German occupation in the form of draft bills. These were largely supported by the parliament, so much so that in 1943 Miklós Kállay had to adjourn the parliament in order to prevent the referral of a bill demanding the ghettoization of Jews and their dispossession.

It is possible to interpret the words of the preamble to mean that events that took place after 19 March 1944 are not an integral part of Hungarian history. If the country had indeed completely lost its independence after the German occupation, then those shameful deeds that will prob-

ably elicit commemorations for centuries to come, deeds that significantly changed the demographics of the country and resulted in a tremendous loss of property, would not belong to the sphere of responsibility of Hungarian politicians. The responsibility should be born by others. And obviously, this is precisely the idea.

In fact, the preamble is inconsistent in this respect. It is hard to reconcile the idea that soldiers fighting against bolshevism were “the heroes of Europe” (as the title page of the extreme right-wing weekly *Demokrata* claimed on 5 February 2004), and that the same soldiers were fighting in the army of a country which had lost its independence. Soldiers fighting as puppets of another country cannot be national heroes.

It is not only responsibility for World War II crimes that the view of history manifested in the preamble falsifies. In 1945, the deportation of ethnic Germans living in Hungary was voted for by the government; moreover, most government members justified their decision by referring to public opinion in Hungary and stressed that it was a unique historical occasion to solve an issue that was of paramount importance for the fate of the nation—which is exactly the same argument that other government members said in connection with Jews half a year earlier. Among leading party politicians, Árpád Szakasits, a social democrat (later turned communist), demanded sternness; Imre Kovács of the Peasant Party proposed to collect Swabians who were to remain in the country in enclosed settlements; Ferenc Erdei, also of the Peasant Party, thought it would be important to ensure that basically everyone could be deported; whereas Count Géza Teleki, who represented the Civic Democratic Party, talked about the necessity of preserving the health of the “Hungarian race.” This happened much before the Potsdam Conference which actually did not prescribe deportation but only made it possible on the request of the Hungarian government. Yet, according to the new constitution, Hungary is not accountable for this. While it is certainly true that none of the governments operating under Soviet occupation were entirely sovereign, it follows from the preamble of the constitution—also called the Fundamental Law of Hungary—that the lack of self-determination means no responsibility whatsoever. But this is certainly out of question as every politician has at least some autonomy.

It is not surprising that **the question of Hungary’s responsibility does not—and basically cannot—figure in Fidesz’s interpretation**, except for a few clichés. According to Fidesz propagandists, the concept of nation is identical with the larger political family, an idea well illustrated

by Viktor Orbán's famous declaration that "the nation cannot be in opposition,"¹¹ or by the fact that they used the Hungarian national cockade in 2002 for party political purposes. This attitude led to a sort of ideological pyramid scheme, as ever higher bids were necessary to prove that one political side is identical with "us," the other side with "those with an alien heart." We must stress, however, that this does not amount to anti-Semitism, even if that is how many people experience their exclusion from the nation. The political aim can be outlined in a few sentences, and it amounts to no more than utilitarian calculation.

Fidesz's Chief Political Opponent

There is only one party that challenges Fidesz's memory politics, and this is the extreme right-wing party called Jobbik, Movement for a Better Hungary. In certain regions, Jobbik is the second biggest party. It is notable that people who qualified in history are overrepresented among the leaders of the party, and it is also interesting that many of their activists were socialized in Fidesz. The leader of the party, Gábor Vona, was a member of the same "civic circle"¹² as Viktor Orbán. Krisztina Morvay was a civil rights activist in Fidesz between 2006 and 2009 before joining Jobbik. Another important figure in Jobbik, Sándor Pörzse, was a talk show host first at the pro-Fidesz Hír TV up to 2007, then at the extreme right-wing Echo TV until 2009, where he was responsible for "national radical" programs. It is quite obvious for those who follow these channels that whatever alienated Pörzse from the regime was certainly not a major ideological difference.

Since Fidesz's media satisfies the voters of the extreme right only in the cultural but not in the political sense, **Jobbik created its own media outlets**, in the offline and in the online world as well. Their official website is Barikád (www.barikad.hu), but Jobbik is more or less openly behind the hate-mongering, racist, anti-Semitic website Kuruc.info (<https://kuruc.info>) as well. The latter, typified by thematic sections entitled "Anti-Hungarianism," "Jewish Crime," "Roma Crime," and "The Holocaust Lie," is actually the third most visited political website in Hungary.¹³ The authors of Kuruc.info publish under pseudonyms. The politicians of Jobbik created their own online TV station which broadcasts a weekly news program. On 20 April 2011, for example, they commemorated the birthday of "the German politician Adolf Hitler" with the following commentary:

In 1933, his party had a sweeping victory at the democratic elections. Within a very short time, he managed to restore a destroyed and miserable Germany where an unprecedented economic, social, moral, and cultural growth started to take place. The victory of the Anglo-Saxon–Bolshevik alliance after World War II led to the downfall of the German people and the German nation. Ever since, this well-known historical figure has been the target of the witch hunt of the Allies.

It is safe to say that certain messages of Jobbik can be called open neo-Nazi propaganda. However, it is quite certain that the popularity of the party is not due to these statements. Jobbik has the most voters in regions where a large part of the population lives in poverty and is hardly interested in historical questions. The reason these people are responsive to harangues about “Jewish financial capital” is that they are fundamentally open to anti-capitalist programs. This is, however, largely ignored by the media, which is extremely critical toward Jobbik. The danger Jobbik poses is much less its anti-Semitism, and much more its anticapitalism and general anti-Western attitude. In Budapest, where it is easiest to find a public interested in a reevaluation of history, Jobbik received 10.8% of the votes in 2010, whereas in certain constituencies outside Budapest it received as much as 30% or more, and this situation did not change significantly at the 2014 elections. Thus, the election success of Jobbik is due to the operation failures of the market economy rather than the popularity of the party’s historical program.

However, Jobbik’s interpretation of history deserves a detailed analysis as the party conveys a double message. **They unite anticapitalism with a racist message**, thus returning to the narrative that typified right-wing public discourse in Hungary before 1945. It is worth examining their symbolic themes as well, as each of them is also present, in one form or another, in Fidesz’s politics of history.

Turul Bird, Árpád Stripes, Greater Hungary

The **turul bird** is an ancient symbol of Hungarian cultural history. Similar to the German imperial eagle, it is primarily a symbol of military glory and voluntary sacrifice. War memorials erected before 1945 were mostly adorned with this symbol (among others). Even today, the turul bird is

the symbol of the armed forces and state security services. In 2005, a new World War II monument was inaugurated in the twelfth district of Budapest, where Fidesz had won the elections. The only symbol on the monument is a turul bird, with a sword in its talons, a fact that generated debate from the outset. District leadership declared that the monument commemorates victims who were from the twelfth district. The message of the extremely conservative monument is quite obvious: the victims sacrificed their life for the homeland and the nation. This was never admitted by the local government, but it is the only possible interpretation of the turul as a symbol. Earlier, the General Assembly of Budapest had rejected the plans for the monument and did not authorize its erection either, arguing that the turul bird has been appropriated by extremists too many times since 1918. And in fact, almost every Hungarian national socialist party (about fifty such parties were established between 1920 and 1941) used this symbol. The Turul Alliance, which was responsible for anti-Semitic riots between the two world wars, did quite a lot for charging this symbol with negative overtones. Therefore, one could anticipate protests against such a symbol, but those who erected the monument ignored that, just as they did the legal regulation. Six years passed without the monument having a legal basis, before the second Fidesz government retroactively legitimized the district's earlier infringement of the law.

One cannot exclude the possibility that initially the district leadership was not aware of the scandal the plans of the monument would cause. However, after having initiated it, there was no way back. Jobbik made the turul a point of prestige and called everyone who opposed the monument a traitor. The socialist-liberal leadership of Budapest stepped up against the monument, thereby immediately positing it as a highly politicized question rather than a simple matter of policy. Therefore, Fidesz could not back down without a severe loss of face. So they did not back down—the local government did not even dare to declare explicitly that the turul bird was not an appropriate symbol, as the large majority of the inhabitants of the district who died in the wars did *not* sacrifice their lives for the homeland and the nation. Interestingly enough, it was primarily Jobbik who capitalized on the situation: only Jobbik activists demonstrated at the time, taking care to keep the issue on the table.

As mentioned above, the **symbolic meaning of the monument is quite problematic**, and not only because it is a question indeed whether the victims of World War II sacrificed their lives for the nation and the

homeland. The situation is much worse than that: the large majority of the victims from the twelfth district, about 350 people, were actually murdered by the Arrow Cross in the name of the homeland and the nation, for being unfortunate enough to have been born Jewish. This is quite obvious at first sight, as most of the names carved on the plinth of the monument sound Jewish. Yet, their deaths are commemorated with a military symbol, which amounts to a desecration of their memory.

The banner with red and white **Árpád stripes** is a Hungarian historical flag that was in use up to the fourteenth century. The next time it was used was in 1938, when it became the official flag of the Arrow Cross Party. The choice of this symbol was deliberate: the Arrow Cross Party reached back to this flag to indicate their rejection of Western cultural tradition, and to point to the fact that among all the Hungarian royal dynasties only the Árpád dynasty was of Asian, or more precisely, of Hungarian origin. After 15 October 1944, when the Arrow Cross government came to power, this became the official flag of Hungary. As the Arrow Cross thugs who committed mass murders wore armbands with Árpád stripes, these stripes are still a symbol of terror for many people.

Interestingly enough, it is precisely this symbol which became extremely popular after 2006. Those who protested against the Gyurcsány government were happy to choose Árpád stripes, and Fidesz politicians were wary enough not to criticize the tastelessness of this choice openly; they contented themselves with restricting its use in their own ranks, using indirect methods. It would be a mistake to think, however, that fans of the Árpád stripes are all neo-Nazis. Originally, it was the alleged anticapitalist and anti-Western message of this symbol that made it so attractive for supporters of the Arrow Cross.

The Árpád stripes are often used together with another symbol, **the map of Greater Hungary**. The latter is especially popular as a bumper sticker, so much so that according to a newspaper article Prime Minister Viktor Orbán himself used such a sticker on his personal car in 2005 (and possibly still does). There are several versions, the most common one has the letter H (which stands for Hungary) in the middle, but elements of the Hungarian coat of arms, including the Árpád stripes, are also common. Maps of Greater Hungary are for sale all over the country, in reprints or symbolic forms.

It would be a mistake to equate each representation of Greater Hungary with revisionism. As opposed to Germany whose borders were never the

same for more than half a century in a row, the western, northern, and eastern borders of the Hungarian “empire” were in fact a political reality for a thousand years, even if the country (or part of it) was also part of the Habsburg Empire. Also, one should not forget that the Treaty of Trianon left almost one-third of the nation outside the borders.

The discrediting of these symbols cannot be understood without being familiar with the reactions of the socialist and the liberal side. They consistently ignored historical questions related to these symbols, underestimating their meaning, or reacting to them in a way which had counterproductive consequences. This was most conspicuous at the time of the **dual citizenship referendum in 2004**.

The original idea of this referendum came from the World Federation of Hungarians, a fairly insignificant organization that drifted to the far right. The leadership of Fidesz quickly realized the ambivalent nature of this initiative: although the referendum could cause a lot of harm to the left, the real winner could be the far right, so in the beginning Orbán and his party were not enthusiastic supporters of this initiative. Their attitude changed only when the Socialist Party started to oppose it openly.

The essential idea of the referendum could not be criticized as the aim of the initiative was to give some kind of symbolic reparation to those who lost their Hungarian citizenship in 1920 or 1947 as a result of the peace treaties (the implementation of the idea and the related legal issues are a different question, of course). This concerned around 2.5 million people—those who declared themselves ethnic Hungarians in the neighboring states.

Socialist Prime Minister Ferenc Gyurcsány decided to risk everything, relying on the primitive instincts of voters. The Socialist Party started a demagogical campaign, threatening citizens with cheap labor flooding in from neighboring countries. As soon as Gyurcsány realized that the referendum would most probably be invalid because of low turnout, he tried to back out, and he declared that members and supporters of his party were free to decide about this issue. But it was already too late.

Eventually, the initiative proved a failure because of low turnout. Its consequences, however, were disastrous. Those who voted “yes” were only a slight minority, so Hungarians beyond the borders felt that the mother country had betrayed them. The fact that leftist and liberal parties opposed the initiative in principle proved especially harmful as this meant that these parties themselves proved the historically embedded prejudice that they

were insensitive to national issues. Many of the voters were shocked by the result, as it was not hard to interpret it as a betrayal of the nation.

That the political battle around dual citizenship was absolutely senseless is blatantly proved by the fact that when Fidesz came to power in 2010, and used their two-thirds majority to enact all the issues they failed to get through in the referendum, the opposition did not even attempt any counterpropaganda. The Socialist Party also voted in favor of the proposal.

The acrimonious political situation made Greater Hungary bumper stickers a sort of **protest symbol**. Very few people ask, however, what the symbol stands for. The possibilities are the following:

- Between the two world wars it was a symbol of the restoration of “Integral Hungary,” i.e., it symbolized the political aim of reestablishing the thousand-year-old borders. It was used despite the fact that all the politicians of the era were aware that complete revision was out of question as around 50% of the inhabitants of historical Hungary were not ethnic Hungarians and they would certainly have rejected such a proposal. Yet, no politician was willing to admit to voters that this propaganda was deceptive and untenable.
- After 1945, this symbol was used only in a negative context. Historical Hungary was the symbol of a reactionary state. Besides, the Treaty of Trianon and the situation of Hungarians beyond the borders were taboo subjects in public discourse under communist dictatorship.
- Ever since the change of regime Greater Hungary became fashionable again as a symbol, with the far right making sure that it always comes up in the worst contexts. They have even gone as far as considering a revision of the borders, though they have yet to share their ideas about how the new borders would relate to pre-1920 borders, and about the rights of ethnic groups living in Hungary, or the rights of non-Hungarians in Greater Hungary. These questions, however, are very relevant, as certain icons of the right wing—e.g., Albert Wass (to be discussed later)—could only accept total revision as a solution. It is typical of those who use these symbols without reflection that they fail to give answers to these questions, but they are offended when they are labeled chauvinists and revisionists. The relation of Fidesz to these issues is peculiar, to say the least: at their events and in some of their media outlets they advertise a wide

range of Greater Hungary symbols, while there can be no discussion in media outlets dominated by Fidesz about the dangers inherent in the unreflected use of these symbols. This is quite understandable—if they spoke up against the ideological pyramid scheme, they would alienate some of their own supporters, without gaining new ones.

Dual Media Structure and Turanism

The hesitation between **Western and Eastern orientation** is a recurring problem in Hungarian history. This is a key issue of national identity as well, as is shown by the history of the term “Turanism.” Originally used by linguist Max Müller, Turanism was an umbrella term for certain non-Indo-European and non-Semitic languages which he supposed had a common origin. His definition was refuted by other linguists, but the term remained in use in a geopolitical sense. Turanism inspired valuable ethnographic and linguistic research, including the oeuvre of Sándor Kőrösi Csoma and Aurél Stein. Interest evoked by Turanism is also in the background of world-class Hungarian research on Tibet. Other scholars used the term in a primarily geopolitical sense, for certain peoples living in Turkey, Southeastern Europe, Iran, and Central Asia. The main point of political Turanism was that these peoples were ethnically and culturally related. In general, Turanism is related to the interest in the Asian roots of Hungarians.¹⁴

Since the twentieth century, however, Turanism has meant more than that. Not surprisingly, **the appreciation of Asian roots often goes together with the rejection of Western civilization**, an attitude which has a fairly deep tradition in Hungarian intellectual life. In spite of the fact that none of the rulers of Hungary had ever doubted the advantages of belonging to the West, there have often been strong voices speaking up against it in the course of the thousand-year-long history of the country.

The strengthening of Hungarian nationalism in the twentieth century brought up this issue once again. The self-image of the Hungarian elite included the ideology of a “military nation.” Accordingly, the Finno-Ugric theory was not at all popular or politically “correct,” as the peaceful Finns, who subsisted on fishing and gathering plants, did not fit the self-image of the glorious Hungarian nation, related to the Huns, terrorizing the whole of Europe with their raids. Extreme Turanists went as far as to declare that not only Turks, but also Bulgarians, Tibetans, Sumerians, and the Japanese

were related to Hungarians. This theory was complemented by the idea of Jesus being a Parthian prince rather than a Jew, and as such, essentially a Hungarian.

These ideas have not lost their relevance; even certain progovernment media outlets spread them. Six of the ten most popular forums on history in the online edition of the right-wing, pro-Fidesz daily *Magyar Nemzet* (the second most popular national newspaper in Hungary) discuss questions of Turanism—mostly in a favorable light, needless to say. Far more popular than the rest are the four most popular of these topics, with the titles “Do We Need Sumerian Kinship?,” “The Origin of Jesus,” “The Most Ancient Civilization in Europe Originated in Hungary,” and “The Hungarian Nation and the Finno-Ugric Theory.”¹⁵ We should note that Fidesz explicitly recommends this newspaper as the most important Christian conservative media outlet.

There is a peculiar division of labor in propagating the ideas of the extreme right. On the government’s side, radio and television programs as well as print media are made in two versions: one for voters with neo-Nazi sympathies, another for conservative voters. The former include Echo TV, the daily *Magyar Hírlap*, and the weekly *Demokrata*, the latter include Hír TV, Lánchíd Radio, as well as the daily *Magyar Nemzet* and the weekly *Heti Válasz*.

It is to be noted that Fidesz politicians take care not to criticize openly the ideology behind these bizarre theories. This was evidenced at a conference where Mihály Zoltán Orosz, the well-known mayor of Érpatak (a village in northeastern Hungary) gave a talk, wearing one of his eccentric outfits. This mayor proclaims a peculiar version of the politics of history and of social policy. An integral part of the former is the unconditional glorification of the ill-fated attempt of the German and Hungarian defenders of Budapest in World War II who broke out from Buda Castle on 11 February 1945, when most of the capital city was already occupied by the Red Army. At the same conference, when asked what his opinion was about the “Érpatak model,”¹⁶ all Secretary of State Zoltán Kovács had to say was that he had not visited Érpatak yet. When the question was repeated, he answered that he would not like to interfere with how individual municipalities solved their problems.¹⁷

Media outlets belonging in the first group of **Fidesz’s media empire** convey conservative messages more or less in line with European Christian Democracy. Those in the second group, however, are directed toward different kinds of voters and regularly convey new pagan, racist, or neo-Nazi messages. The dissemination of anti-Christian, syncretistic tenets have even provoked the attention of the Roman Catholic Church, whose protest

was ignored. An example of radical opinion is the title page of *Demokrata* on the anniversary of the breakout from Buda Castle, which called the soldiers of the armed SS and the Wehrmacht, as well as those of the Royal Hungarian Army and the Arrow Cross Party service who fought against bolshevism, "The Heroes of Europe."¹⁸ Echo TV regularly presents conspiracy theories as actual reality and gives space to shamans without providing critical commentary. According to the extreme right-wing daily *Magyar Hírlap*, the financial crisis in 2008 was caused by "financial Jews in Brooklyn."¹⁹ The aim is quite obvious: to satisfy the whole range of right-wing voters with such incendiary slogans. This is what Fidesz actually means when they talk about the diversity of the supporters of the party. This conception did not prove entirely successful, however, as a new political subculture has emerged to the right of Fidesz—a subculture which stands apart from Fidesz for practical reasons, without rejecting the ideology of the government party's extremist media outlets.

In 2013, Minister of Human Resources Zoltán Balog gave awards to three well-known right-wing extremists. When a scandal broke out, he revoked the award of broadcaster Ferenc Szaniszló, but did not have any regrets about giving the award to János Petrás, the front man of Kárpátia, the most popular band of the far right, or to archaeologist-museologist Kornél Bakay. It is to be noted that both Petrás and Bakay are mainly popular among the supporters of Jobbik. An advocate of anti-Finno-Ugric pseudo-scholarship, Bakay is the author of alternative neo-Hungarist textbooks and the organizer of a discreditable exhibition about the Arrow Cross at the castle of Kőszeg.²⁰ One of his books is typically titled *To Be a Hungarian Is Pride and Joy*.

It is quite possible that Fidesz leaders consider many of their voters potential Jobbik voters (and not without foundation), which is why they operate this **parallel media structure**. One wonders, however, what the consequences of spreading Christian Democratic, Turanist, anti-Semitic, and anti-Christian ideas together will have in the long run.

Symbolic Figures

The preservation of the memory of famous and prestigious figures of the twentieth century is a measure of collective memory. Therefore public art, including memorial plaques, monuments, and sculptures, is of special

importance as those who erect them always convey a political message. **The choice of figures preferred by official cultural memory in Hungary today** definitely speaks volumes.

These figures of collective memory are primarily twentieth-century personalities. One would be inclined to think that the least divisive personalities would be preferred. However, if we take a look at monuments erected since 1990, the result is the following: on the territory of Hungary, there are four monuments to István Bibó, and they all stand in unimportant places. István Bethlen received two monuments; there are three sculptures or memorial plaques for Pál Teleki, two for Miklós Horthy, four for Sándor Márai (though two of the latter are in Kassa/Košice, Slovakia). Imre Nagy, the martyr of the 1956 revolution and war of independence, has fourteen monuments. Conversely, there are as many as forty-nine (!) public monuments erected to Albert Wass, not even counting those that contain quotations by Wass.²¹ Monuments to Wass can be encountered all over the country, usually in very representative spots.

One of the most popular historical politicians in present-day Hungary is undoubtedly János Kádár. According to a 2006 survey by the Hungarian pollster Medián, 42% of those surveyed said that Kádár was the greatest twentieth-century Hungarian politician. His popularity is mostly based on the fact that a great part of the population remembers the decades of “Kádárism” as a kind of golden age, as their standard of living was higher than today, or at least it seemed higher because social differences were slighter. Luckily, this popularity is not manifested in monuments. In the same opinion poll, Imre Nagy proved to be the least rejected twentieth-century politician.²² Yet, that is not enough to achieve a consensus about him, as he remained a communist to the end of his life, and it was only his bravery and uncompromising behavior after the 1956 revolution that made him a central figure. It is due to his speech on 4 November 1956 and his murderer, János Kádár, that his name became one with the revolution.

Strangely enough, there are **only four monuments to István Bibó**, in spite of the fact that he was perhaps the most quoted thinker at the time of the regime change, and that there was a complete consensus around his figure. It is especially interesting that he soon disappeared from everyday public discourse after the regime change.

Yet, Bibó was one of the greatest political thinkers of twentieth-century Hungary. Some of his works were published in translation in various languages. He was one of the few who were born into a Christian middle-

class family and still insisted on the responsibility of Hungary for anti-Semitism. In 1944, he saved people, and in 1956, he was almost condemned to death for the part he played in the revolution. These circumstances should be enough to earn him a major role in Hungarian memory politics.

It seems, however, that Bibó is “completely inappropriate” for this role. It could still perhaps be palatable for the powers-that-be that Bibó was never a right-wing thinker; he supported “third way politics,” i.e., a state socialism that is not based on communist doctrine. This attraction is well-known for many liberals as they themselves had gone through a similar leftist phase. The situation is similar on the right, as there are plenty of right-wing politicians who used to profess “third way” ideas. However, there are two things about Bibó that make him unpalatable for the right: he was openly philo-Semitic, and he rejected anticommunist rhetoric.

As for **István Bethlen**, he played a positive part in Hungarian history first as prime minister between 1921 and 1931, then as Horthy’s gray eminence. As well as being anticommunist, he also curbed the activities of extreme right-wing organizations. He restored the economic independence of Hungary and increased the playing field of Hungarian politics. His enemies labeled him a “hireling of Jews” and a “liberal,” although he was neither philo-Semite nor a supporter of liberal principles. As a professed antifascist, he tempered Horthy’s views, and he participated in the secret armistice negotiations in 1943–44. Though he managed to escape the Gestapo, he could not get away from the Soviet authorities—he died in a prison in Moscow. Many authoritative Hungarian historians consider him as the most significant prime minister of Hungary in the twentieth century. All this should have reserved him a central place in the memory culture of the Hungarian state after 1990. That this did not happen can only be explained by the fact that he would have to face the same accusations today as in his lifetime: once again, his right-wing opponents would call him a hireling of Jews and a liberal.

The life story of writer **Sándor Márai** is similarly positive: he also rejected fascist as well as communist ideology. In his diaries, he delivered a scathing criticism of Hungarian anti-Semitism, and he chose to emigrate after 1945. In spite of his literary success (he was even more popular outside than inside Hungary after his death), he could not become a symbolic figure, for similar reasons István Bethlen could not.

The first attempt by the political right to canonize a symbolic historical figure was the case of **Pál Teleki**. The renowned geographer was prime

minister of Hungary in 1920–21 and 1939–41. In the soft phase of the party-state era, Teleki's merits were recognized within limits, as he was also anti-German. It could not be thematized, however, that his antifascism was based on racist ideas—he detested Germans, like Jews, because of their “racial” characteristics. The fact that Teleki, an ardent anti-Semite, was the one who proposed several laws that deprived Jews of their rights, makes it impossible to recognize him openly, even though three monuments have been erected to him in relatively inconspicuous places.

The case of **Miklós Horthy** is similar—on the one hand, he strikes one as more moderate than Teleki; on the other he bears historical responsibility for Hungary's entry into World War II as well as for other issues. Although after the regime change the first prime minister of Hungary as well as several ministers attended his reburial as “private persons,” attempts to erect a monument to him by the state have invariably failed. Though this may yet change, it is quite obvious that Horthy symbols have to do with the era between 1920 and 1944 rather than the person of Miklós Horthy himself. However, another person has been found who is much more appropriate than any of the above-mentioned figures to make that era as a whole a part of the national canon.

This is Albert Wass, who boasts the greatest number of monuments in Hungary after 1990. His person represents pre-1945, neo-Baroque Hungary better than anyone. It is worth comparing his life story with that of Márai, which makes all the more sense as both are known for their literary works. They were born a few years apart; both families were victims of the Treaty of Trianon; and they were both renowned writers before 1945. The dates of their death are also a mere few years apart: Márai committed suicide in 1989, Wass nine years earlier. Yet, there is a world of difference between them. Márai called the Horthy era a “caricature,” whereas for Wass, it was heaven on earth. As opposed to Márai, Wass fought with arms on the eastern front, in part against partisans, a fact he remained proud of until his death. He never had any doubts concerning this, nor can we find any criticism in his works about the anti-Semitic laws of that era. Quite on the contrary: after the ghettoization of the Kolozsvár Jews, Wass published a piece that speaks volumes. It was entitled “The Settlement of the Rats,” an allegorical expression of the need to remove Jews whom Wass equated with pullulating rats.²³ At the very same time, Márai wrote explicitly about ghettoization in his diary, but in a very different vein. Let us just quote two short sentences: “It is a shame to be alive. It is a shame to be under the sun.”²⁴

In 1945, Albert Wass was accused of war crimes by the Romanian authorities. (These accusations remained unproven to date.) Similarly to Márai, Wass also chose to emigrate, but as opposed to Márai, Wass kept connections with extreme right-wing émigrés, moreover, he actively participated in the work of Hungarist (i.e., national socialist) emigration. Both writers were born beyond the Trianon borders, yet they chose very different ways to come to terms with that fact. Márai was never concerned with so-called “questions of national fate”—he was too much of a European and an individualist for that. Yet, no one who has read Márai’s works would doubt that they are imbued with the sense of belonging to the Hungarian nation. The majority of Wass’s works, however, articulate the pain felt because of the loss of the homeland, and they present only the Hungarian perspective. He is happy to mention the crimes of Romanians and the Soviets, while he has nothing to say about the responsibility of the Hungarian state. His literary oeuvre is typified by nationalist clichés.²⁵ Even in emigration, he kept voicing his opinion that the Treaty of Trianon should be revised on historical rather than ethnic grounds, and therefore he considered the restitution of the thousand-year frontiers as the only acceptable option.

Today Wass is the most popular symbolic figure of all twentieth-century Hungarians on the right. His monuments are inaugurated by Viktor Orbán and other Fidesz politicians; President of the Republic Pál Schmitt quoted Wass in his introductory speech. Streets and libraries all over the country bear his name, and his books are bestsellers. It would be wrong to attribute this success only to his anti-Semitism and reactionary ideas. Rather, his popularity can be explained by the fact that his figure in a way relieves Hungarians of self-examination. Almost everyone on the right can identify with him: those who “feel the pain of Trianon” but do not want to know about its deeper causes; those who still cherish dreams of Hungary being a great power; those who can only think in terms of national victimhood; and those who are simply anti-Semites. Wass is a sort of a “common multiple” for them. None of the other symbolic figures could be the right candidate as their oeuvres are not compatible with anti-Semitic ideas, not to mention other “deficiencies” like liberalism in the case of Bethlen and a communist past in the case of Imre Nagy.

It speaks volumes about current Hungarian memory politics how public media treated Imre Kertész, recipient of the 2002 Nobel Prize in Literature. He could have been an excellent candidate for the moderate right as Kertész was merely a tolerated figure in the party state. His claim, that if it was not

for the communist dictatorship, he would not have been able to find the words to describe the events of 1944, is the most radical criticism possible of communism. Yet, Kertész was ignored and even vilified by the right until 2014. The only exception was the journal *Kommentár*, which listed Kertész as one of the most significant conservative thinkers of the twentieth century.²⁶ It is typical that no Kertész interviews were published in pro-Fidesz media, whereas former Communist Party leaders like Lajos Gubcsi, who used to be the secretary of the central committee of the Communist Youth Organization (KISZ) or Imre Pozsgay, member of the Political Committee, are regularly featured in these outlets. In 2014, hitherto neglected Kertész was suddenly awarded the highest Hungarian state award, the Order of Saint Stephen of Hungary.²⁷ This unexpected propaganda trick was destined to show the world that the Hungarian government's attitude to the Holocaust is conforming to European standards. This gesture did not mean, however, that Kertész's work was discussed in progovernment media.

What makes this all so terrible is that the endorsement of uncritical thinking makes it impossible to **reevaluate Hungarian national memory of the years before 1944**, which would be absolutely crucial. It is a fatal decision of the memory politics of the right to choose figures who represent the worst traditions and put them into the limelight.

Summary

The failures of the socialist-liberal government, the economic crisis, and the policy of Fidesz are all responsible for the renaissance of extreme right-wing ideas, though not to the same extent. What proved decisive is the elevation of a memory politics that is compatible with Jobbik to the status of state policy—a continuation, in fact, of the slogan “One camp, one banner.” This policy proved to be a success to a certain extent, as today the right-wing interpretation of history dominates in Hungarian society. This politics legitimizes figures who can only be despised in Western Europe. Far from being a temporary phenomenon, the **radical shift is more and more marked** in Hungary.

Similarly to the situation in Poland, a social democratic renaissance is quite unlikely to happen in Hungary any time soon. Neither has the former state party any chance to return to power. As opposed to Poland, however, liberals have no chance either in Hungary—they are not even represented

in the parliament any longer. For the time being, **only Fidesz is capable of keeping Jobbik at bay**. This, however, should not make us forget that **there is no clear boundary line between the view of history of the two parties**, a fact that is the result of Fidesz's double-faced policy. Will there be anything to convince voters, fed by dangerous ideological fodder, to use their common sense, and choose a democratic option at the time of crisis and social conflict? The answer to this question is shrouded in obscurity.

NOTES

- ¹ Viktor Orbán's slogan from 2005, promising political representation for all right-wing voters.
- ² Andreas Schmidt-Schweizer, *Vom Reformsozialismus zur Systemtransformation. Politische Veränderungsbestrebungen innerhalb der Ungarischen Sozialistischen Arbeiterpartei (MSZMP) von 1986 bis 1989* (Frankfurt a. M.: P. Lang, 2000); Ignác Romsics, *Volt egyszer egy rendszerváltás* [Once there was a change of regime] (Budapest: Rubikon-Ház, 2003).
- ³ The MSZMP manipulated the reburial in multiple ways. On the one hand, by trying to represent the events as a "civil war," and on the other, by using their state security network to prevent György Krassó, the greatest anticommunist of the would-be speakers, from speaking at the funeral.
- ⁴ These interpretations cannot only be found in the discourse of the Hungarian Socialist Party (MSZP); there are renowned Hungarian historians who think in these terms, cf. Tibor Huszár, "Bibó István—a gondolkodó" [István Bibó—philosopher], in Bibó István, *Válogatott tanulmányok* [Selected essays], 3 vols. (Budapest: Magvető, 1986), vol. 3, 455–57.
- ⁵ Mária Schmidt, "A terror háza múzeum első éve" [The first year of the House of Terror museum], *Magyarország politikai évkönyve* 1 (2003): 330.
- ⁶ I owe thanks for this expression to István Rév.
- ⁷ I.e., those persons who regularly show up in progovernment media, e.g. István Nemeskürty, Mária Schmidt, or László Tókéczki, or the even more right-wing Ernő Raffay.
- ⁸ Cf. István Nemeskürty, *Mi történt velünk?* [What happened to us?] (Budapest: Szabad Tér, 2002); István Nemeskürty, *Meddig várjunk?: számvetés az új évezred küszöbén* [How long should we wait?] (Budapest: Szabad Tér, 1996).
- ⁹ One of the lawyers at the law firm Eörsi and co. was Lieutenant-Colonel Miklós Bauer, head of the personnel unit of ÁVH, later head of its Western European intelligence. Bauer's wife and her brother were also ÁVH officers—the former drew up the minutes about beating the Szüts brothers to death, the latter had a reputation as a pathologically sadistic interrogator even within the ÁVH. It is to be noted that Mátyás Eörsi did not participate in the work of the law firm while he was an MP, which is when the Vajda trial took place.

- ¹⁰ Cf. Peter Novick, *The Holocaust in American Life* (Boston: Houghton Mifflin, 2000), and Norman G. Finkelstein, *The Holocaust Industry* (London: Verso, 2015).
- ¹¹ Orbán declared this after his loss at the parliamentary elections in 2002, meaning that he does not consider the coalition that won the elections as legitimate.
- ¹² "Civic circles" were founded by Orbán after the election failure in 2002.
- ¹³ www.webaudit.hu, <http://kuruc.info/r/6/37381/>.
- ¹⁴ Cf. Lajos Sassi Nagy, *A turanizmus, mint nemzeti, faji és világeszme* [Turanism as a national, ethnic and a global concept] (Budapest, 1942); and Ildikó Farkas, *A turanizmus és a magyar-japán kapcsolatok a két világháború között* [Turanism and Hungarian–Japanese connections between the two world wars], *Folia Japonica Budapestinensia* (Budapest: Japanese Department of the Károli Gáspár University of the Reformed Church, 2001), 28–44.
- ¹⁵ http://www.mno.hu/portal/forum?action=topic&id_category=28&sortBy=7.
- ¹⁶ The "Érpatak model" stands for the application of all possible administrative means, first and foremost exclusion from public work, against persons regarded as rebellious, i.e., reluctant to accept the lifestyle dictated by the local government (which is quite peculiar in the case of Érpatak).
- ¹⁷ The author of this article was present at the conference.
- ¹⁸ Balázs Ágoston, "Európa hősei voltak," *Demokrata* 5 February 2004.
- ¹⁹ Zsolt Bayer, "A lepke szárnya," *Magyar Hírlap* 10 October 2008.
- ²⁰ Cf. László Nagy, "Meddig terjed az alternativitás határa? Hungarista tankönyvsorozat kicsiknek és nagyoknak" [How far is the limit of alternativity? A Hungarist textbook series for children and adults], http://tte.hu/_public/nyagylaszlo_alternativitas_hatara.pdf.
- ²¹ Five of which were erected in the last three years.
- ²² <http://www.median.hu/object.11f0c4b2-7679-47a5-8d02-0ec553182b9d.ivy>.
- ²³ The story, which narrates the battle between the master and the encroaching rats, ends with some of the rats managing to hide in spite of all the precautions. The master has to think about the problem, which is an explicit message to the reader: the story is closed by the narrator's admonition that readers "must also think about it, and act accordingly." This was at a time when newspapers reported about punishment awaiting those who were hiding Jews.
- ²⁴ Sándor Márai, *A teljes napló 1943–1944* [The complete diary, 1943–44] (Budapest: Helikon, 2006), 193.
- ²⁵ Vilmos Ágoston, *A kisajátított tér. A nemzeti képzelet Doru Munteanu és Wass Albert műveiben* [Dispossessed space: National imagination in the works of Doru Munteanu and Albert Wass] (Budapest: Európai Összehasonlító Kisebbségkutatások Közalapítvány, 2006).
- ²⁶ *Kommentár* 1/2 (2011).
- ²⁷ The reestablishment of the Order of Saint Stephen of Hungary is a good example of the peculiar view of history of Fidesz. This baroque award, founded in 1764 by Empress Maria Theresa of Austria, was originally given to aristocrats who played an important role in the Hungarian policy of the Habsburgs (which often meant the oppression of Hungarians), and were invariably loyal to the government. For example, those who helped crush the 1848 Hungarian revolution were awarded

the Order. In the Horthy era, it was given to the highest representatives of the state as well as to foreign politicians, including Hermann Göring. The Order was abolished after 1945 and reinstated in 2011. Its symbols are related to the feudal value system rather than Hungarian national traditions, and its history is problematic to say the least—yet the government managed to communicate to voters that this award, bearing as it does the name of the first Hungarian ruler, represents the recognition of the interests of Hungarians.

György Gábor

The Land of an Appropriated God: Sacred Political Symbols and Symbolic Political Sacrality

In Ford Coppola's film The Godfather there is a famous scene of a baptismal ceremony. The priest who is baptizing Michael Francis Rizzi is asking the regular questions from the godfather of the child, Michael Corleone:

'Do you believe in God, the father Almighty, Creator of Heaven and Earth?'

'I do,' Corleone answers.

'Do you believe in Jesus Christ, His Son, our only Lord?'

'I do,' Corleone answers again with touching sincerity.

'Do you believe in the Holy Ghost, the Holy Catholic Church?'

'I do.'

'Do you renounce Satan?'

'I do renounce him.'

'And all his works?'

'I do renounce them.'

'And all his empty promises?'

'I do renounce them.'

In that same uplifting moment, cross cutting back and forth shows us how at the exact same time as Michael Corleone's answers are sounded the hitmen of the clan brutally murder the family's enemies, on Corleone's command.

Man is strongest when kneeling – Viktor Orbán

In December 2005, Viktor Orbán participated in an Advent conversation with Béla Balás, bishop of Kaposvár and Zoltán Balog, a Calvinist pastor (today Minister of Human Resources), where he talked about his own faith, his commitment to Christianity, his political mission, and also touched on topics like the fear of God, religious life, the relationship between government and Church, and the Church as an absolute standard of values, revealing to the audience his *ars poetica* as a politician and a leader.¹

Rather than simply a personal confession by a politician, the “**testimony**” of Viktor Orbán amounts to the elevation of a personal confession to the status of a **political creed**. Orbán works for “the greater glory of God and the benefit of people,” as he declared. “As much as I can translate this into the language of our profession,” he said, thereby marking out the field of a politician, “it means that I have to build the country with a small c, the country which is the home of the Hungarian nation in this world, as well as the country with a capital C, the Land of God, and this is the higher goal and meaning of what I do. This is a meaning beyond and above political calculations; it is a higher meaning.”

On the one hand, Orbán hereby grounds the position of worldly authority as emanating from divine authority, thereby securing a transcendent legitimation for his own political career; and on the other, he places the ultimate accountability of the politician beyond mundane, earthly confines. The constitution, the laws, the principle of the division of powers is a mere garment on the body of divine power in this world, so to say: “The fear of God is a key issue. God save us from politicians who do not fear God... of course, laws restrict people, the parliament restricts us, power is divided, but ultimately, it is power, so we have to ask the question: what is the ultimate limitation on power?... and the ultimate limitation is none other but fear of God. For there will come a moment when we have to pay for everything; when we are called to account. Does a politician believe that this moment cannot be avoided? And if he believes that this moment will come, then we can all feel safe. Because... those who understand what the fear of God means do not fear a mighty lord who is unfamiliar to them... what they fear is that they will get exactly what they deserve... We are afraid that we will be confronted with our own deeds. And this is the ultimate limita-

tion—beyond any laws, division of powers and the constitution—of that dangerous business we call power.”

It is only by appealing to God that the destructive forces inherent in human beings left to their own devices may be channeled and lead to a normal and acceptable political practice, controlled by an invisible constitution. A moral order and a political structure without transcendent grounding is impossible to conceive, as Louis de Bonald, an important representative of 18th–19th century Christian conservatism had already stressed: “...et ôtez Dieu de ce monde, il n’y a plus d’autre raison au devoir que la violence, parce qu’il n’y a plus d’autre titre au pouvoir.”²

Orbán continues: “the Church has an ability which is very important for both politics and the profane future of the nation: it is able to liberate the soul from the body. This is very important. Because, you know, if we look at ourselves, we can see that each person, each individual lives in a separate body, exists as a separate body. Yet, the essence of a nation is that it can unite for great common goals. But how can we unite if we live in the form of bodies, cut into pieces? For that, we need to liberate our soul from our body.”

Thus, the art and technique of the “here and now” of politics is replaced by the atemporality of the divine sovereign and the moral command of measuring up to that divine sovereign, for, to repeat Orbán’s words, we must measure up to “the eternal moral command,” serving “higher goals.” The task of politics is to transform the transcendent collectivity of *corpus Christi* into a worldly, immanent collectivity. That is the only way that the perfect society (*societas perfecta*) can be realized, the status of which is severely threatened by the *civitas terrena* of this world which is preoccupied with worldly values and perspectives. The Church, however, is a “benchmark. It is a benchmark for secular powers, and we’d better measure ourselves by that standard.” Subordinated to salvation history, human history has a direction, a transcendent *telos*, a “soul” in which the momentary “details” are of no particular interest; it is the higher mission, the sacred process—rather than the “details,” the actual situations and moments—that are important, the rest becomes secondary, significant only to the extent that concrete, temporal moments can carry, express, and make clear the intention and will beyond history and physics (i.e. the metaphysical intention and will)—at least for those who are able to grasp it. That is why we “must be familiar with history... the soul of history rather than the details.”

The obvious meaning of Orbán’s system of alliances is revealed here: **he regards the Church as a benchmark**, and warns the Hungarian right

not to criticize it. He claims that Christians are eternal winners, incapable of hatred, whereas the opponent—the enemy—lives in a state of repulsive spitefulness that spoils everything. “What they hate and what they fear is precisely what we, Christians, believe. What they hate and what they fear is precisely what we believe is an integral part of us Hungarians, and our nation.”

This is full-fledged **fundamentalism**: Orbán’s vision is not a rational political analysis of the situation which could be refuted with rational arguments, but an apocalyptic vision elevated to the realm of irrationality. **He identifies Christianity with himself, his party and his followers**, just as he reserves the exclusive right to competent thinking about the nation to himself. Fundamentalism seems to come full circle here. Orbán declares his own creed, his political ideas and convictions to be absolute truth, a collection of dogmas, and makes it clear that real politics must be based on those. Most fundamental to his system is the forced return of religion into the world of politics where religious, ideological, and political pluralism has been replaced by univocality, with people being divided into those who criticize political power, i.e. the unjustly spiteful (in Orbán’s interpretation), and those who have political power, i.e. the unjustly hated.

Religious culture as a political-philosophical claim

One of the basic metaphysical questions that the philosophy of religion has been trying to answer for millennia is the origin and cause of evil in the world. Is evil merely a lack of good, or is it a principle independent of the good, i.e. an efficient cause that is equal to the principle of the good (*causa efficiens*)?

This question proved especially hard for the Judeo-Christian, i.e. monotheistic, religious tradition. In polytheistic cultures the existence of the various principles was determined by independent divinities, and all the principles of the world could be deduced from the divinity responsible for that principle or its origin. Western culture, however, based as it is on monotheism, had to find the answer to the hardest question of theology: could the one and only God, the exclusive ground and creator of all, the Supreme Good, be the one who created evil and sin, palpably present in human existence? Isn’t there some unresolvable contradiction here, a fatal metaphysical error in the principle of causality? The Book of Job in

the Hebrew Bible discusses this problem, and although it does not give a reassuring answer either, it tries to resolve the quandary by concluding that man can grasp neither the world in its entirety, nor the secret sense of the workings of an omnipotent God.

The New Testament and the Christian tradition tries to avoid the danger of metaphysical dualism, i.e. the Manichean view of the duality of good and evil, but manages only to a certain degree. Following St Augustine, Christianity regards evil as an existential lack rather than a substance, the lack of good that should be contained in the existent. "*Bonum ex integra causa, malum ex quocumque defectu*,"³ i.e. evil is the state of being deprived from one or other essential component of the existent. However, the New Testament makes it clear that evil deeds stem from man being in the power of evil.⁴ Besides, before the advent of Christ humanity was possessed by evil,⁵ which means that the evil principle somehow related to Christ, the person, or rather the lack of Christ as Redeemer.

The evil principle declared war on God and Christ,⁶ therefore it became an obstacle to the act of salvation. That is why Christians pray: "deliver us from evil."⁷ As Christ broke the power of evil by dying on the cross and thereby redeeming humanity, it is a duty of rulers at any given moment in time to help the work of salvation with their own activity by punishing and retaliating evil, as St Paul writes: "For rulers are not a terror to good works, but to the evil. Wilt thou then not be afraid of the power? Do that which is good, and thou shalt have praise of the same."⁸ So much so as rulers are working for the history of salvation as earthly representatives of the cause of God: "Submit yourselves to every ordinance of man for the Lord's sake: whether it be to the king, as supreme; or unto governors, as unto them that are sent by him for the punishment of evildoers, and for the praise of them that do well."⁹

In other words, the activity of earthly powers, their punishment and praise is legitimized—sanctified—by divine power. And the community—be it political or religious—must also work for the cause of God: never turn against it but always recognize and implement the transcendent intention and will: "But them that are without God judgeth. Therefore put away from among yourselves that wicked person."¹⁰

Of course, Christianity had to stay clear of a theological overestimation of political reality, as a sharp opposition—a gnostic dualism, so to speak—of the City of God (*civitas Dei*) and the City of Man (*civitas terrena*) would mean a complete delegitimization of the secular political realm, defining

it as the realm of Satan (*civitas Diaboli*), an insignificant intermezzo when compared to the ultimate City.

An alternative path for religion of the legitimization of power is to recognize the autonomous system of worldly values, law and order, and justice, and to adopt a policy towards it. A structure based on this political philosophy means that the powers-that-be try to subordinate government to the above-mentioned criteria, and the benchmark of the adequate function (or disfunction) of society will be *Iustitia*, as has been the accepted practice since Cicero ("without the strictest justice, no government whatever can last long"¹¹).

Around the mid-1600s Hobbes in *Leviathan* went as far as to say that "For there is no such *finis ultimus* (utmost aim), nor *summum bonum* (greatest good), as is spoken of in the books of the old moral philosophers."¹² Hobbes attributes the rational, worldly need for coordination, the formal—i.e. non-substantive—system of rules of public power, law and justice, and the social contract to a general, anthropological motivation of human beings—to wit, the eternal will to power; in other words, to flawed human nature rather than a moral mission. For him, power has no supra-rational legitimation that would justify all this in the name of the protection of "higher values." There is no obligatory ideology, the value-free calculations of interest do not force citizens to confess their faith and moral values that they profess *in foro interno*. In other words, it is the natural state (*bellum omnium contra omnes*—the war of all against all; *homo homini lupus*—man is a wolf to man) that forces us to apply the natural law which manifests in striving for peace and mutually renouncing from absolute freedom in each other's interest, as well as in obeying the power that is supposed to ensure that agreements are observed.

From the 18th century autonomy, the separation of throne and altar, the immanent principle of reason, parliamentarism, plural democracy, the positive theory of law, etc. have engendered the enlightened illusion that in Western societies religion, churches and denominations will gradually lose their role of political legitimation. This illusion was supported by those empirical observations and sociological surveys which reported on the seemingly unstoppable secularization of modern society, the traceable decrease of religious practice,¹³ the decline of church attendance, people abandoning churches,¹⁴ the decline in the number of priests and pastors,¹⁵ the growing number of those who define themselves as believers but do not accept the official teaching and values of their church, as well as those who

“believe without adherence,” and the decline of church adherence.¹⁶ From the “great negators” of the 19th century, the “disenchanters” of the world—Nietzsche, who claimed that God was dead; Marx, who called religion the “opium of the people,” and Freud, who reckoned with religion as a kind of illusion—to Durkheim who saw religion as a metaphor for mapping social order, and to Max Weber who claimed that religion had become insignificant in the face of increasing rationalization and scientific thinking, it has essentially become a commonplace in social sciences to stress the loss of function and marginalization of religion. The “goal-rationality” (Weber) of an increasingly differentiated society that replaces traditional communities and the mechanism of self-sufficient and autonomous subsystems has less and less need for religion as a central force of sense-giving and social formation. Religion, it seemed, was relegated to the private sphere as a component of the freedom of conscience and religion, with its direct political role and legitimizing function gradually dying down.

In the last few decades, however, we have been witnessing a more and more spectacular failure of the theory of secularization as **religion has seen a global revival** within the postmodern world. This process is determined by different social and sociological factors in various parts of the world: in post-communist countries, following the decades-long (severe or soft) oppression of the freedom of religion, the religious renaissance that began in the 1990s was an inevitable reaction. In Western Europe, it is determined by globalization and migration as a consequence of which new, hitherto unknown religious communities have appeared that became bearers of the identity of immigrants and helped them resist integration. It is different in South America, where the Church had a direct political message (liberation theology) which has become increasingly vigorous due to the social situation; and it is different again in the Muslim world where at times religion becomes the most radical political factor, the militant bearer of an ideological system, and a legislative force; and it is different in the US where, as a reaction to the big churches that were felt to be more and more alienated in their structure, a number of dynamic neo-Protestant “small churches” came into being which rejected, along with the licentiousness of secular society, certain elements of the scientific worldview that ran contrary to their fundamentalist reading of the Bible (see e.g. Darwinism vs creationism), and which became more and more significant actors in political life.

So what is the reason for that more and more conspicuous phenomenon about which Peter Berger, a former adherent of the theory of secu-

larization, writes the following, criticizing his own earlier views as well: "My point is that the assumption that we live in a secularized world is false. The world today, with some exceptions... is as furiously religious as it ever was, and in some places more so than ever. This means that a whole body of literature by historians and social scientists loosely labeled 'secularization theory' is essentially mistaken."¹⁷

Indeed, the new world order that has replaced the bipolar world of the Cold War is not only characterized by the rise of new economic forces, the collapse of former empires and the loss of credibility of Communism, but also the revival of the idea of a citizenship based on ethnic and religious loyalty. What we are witnessing now is **the crisis of rationalism and modernism** that has been triumphant since the 17th century, all the while ignoring religion, spirituality and sacrality, and believing only in reason, science, technology and bureaucratic rationality. Following the collapse of the bipolar world order, the world is being reorganized according to fault lines between civilizations, as Huntington had predicted in his theory that is less and less debated nowadays.¹⁸ Social developments have gradually called into being their opposites: against globalization, localization has strengthened; against universalization, particularization; against territorialization, deterritorialization. Increasing urbanization and migration have uprooted ever greater numbers of people, with one of the consequences being that many of these people try to return to their original roots by creating new pseudo-communities.

Thus, primordial factors that had been marginalized—religious and ethnic identity—are becoming increasingly important again, creating a new situation in political practice. Nowadays we can observe several versions of the strengthening of these primordial phenomena, from the **cooperation between political and religious fundamentalism** to new evangelization and re-Christianization efforts,¹⁹ and to political power investing itself and the political community with the power of realizing a certain mystical goal, a *telos*. The case of Hungary is an example for the latter.

Essentially, this means that as a trustee of the primordial base—the divine-transcendent, metaphysical will, the eternal law—and led by a sense of mission, the political power does not see its own activities as determined by economic, social, etc. rationality, but rather defines social mechanisms in terms of good and evil, and, by referring to absolute moral and spiritual laws, **makes religion a political resource**. This "spiritual politics"—positing the existence of good and evil—gives a prominent role to irrational desires,

instincts and passions. Politics ceases to be rational discourse, and becomes more and more reminiscent of pre-conscious religious debates, providing less and less opportunity for rational argumentation and dialogues built on rational contradictions. Rather than perceiving ever-changing situations and criteria that need to be reflected on and analysed over and over, political power perceives eternal, unchanging and unchangeable dogmas.

The apocryphal gospel of Orbán

People have been wondering for a while whether the more and more pronounced religious orientation of Viktor Orbán is due to his cynicism as a human being and a politician, using religion for ideological PR reasons, or whether the leader of the right-wing has sincerely been converted. There is a marked discrepancy between the often actually quite rude and unwarranted quirks of Orbán and co. in parliament in the 1990s (“get down on your knees and pray,” etc.)²⁰ on the one hand, and the behavior of a politician who has replaced “Dakota proverbs”²¹ with quotations from the Bible, who regularly shows up in the company of priests and ministers, who has allowed the sacred space of the church to become a scene of politics, whose children’s baptismal ceremonies are topical public affairs, and whose chief consultant is a Calvinist minister.

Undoubtedly, the political shift of Fidesz after the election failure in 1994, the idea to switch to the right was based on a very clear political rationality, namely, the fact that for historical reasons, right-wing attitude in Hungary had retained the arch-conservative attitude nurtured by the government between the two world wars. The ideological position of the right-wing government that ruled between 1990 and 1994 clearly reflected this attitude which they then passed on to newcomers who arrived to the right without any roots.

It seemed at the time that Fidesz was right in assuming that in order to win potential rightist voters, they must prove their religious commitment and show loyalty and readiness to cooperate with so called historical churches—even if that involves drifting further and further away from the constitutional principle of the separation of church and state, and the ideological neutrality of the state. Initially this was manifested only in rhetoric, but after 1998, in symbolic acts and political gestures as well. Rallying under the slogan “power is worth a mass,” party ideologues had

the Holy Crown transferred to the Parliament, the house of legislation,²² and, under the guidance of Zsolt Semjén (President of KDNP, the Christian Democratic People's Party, today Deputy Prime Minister), they attempted to modify Law 1990/IV which had codified freedom of conscience and religion in an exemplary way, and to make it a discriminatory law. Only wide international protest and the election failure in 2002 prevented Orbán from hindering the establishment and registration of new churches, and from being entitled by law to investigate the principles of faith of certain churches. All this would have run contrary to the spirit of the constitution and the freedom of conscience and religion, and would have especially affected so called "small churches" ("destructive sects," "extreme sects," as Semjén and co. are fond of calling them). Also, the Orbán government allocated public funds to adjust the salary of village priests and pastors, in order to raise their spirits and guarantee their loyalty to the right-wing government. Yet undoubtedly, the alleged last words of József Antall, the first prime minister of the Hungarian Republic after the change of regime—"I wanted a Christian Hungary"—sound more serious and authentic, for all their tragicomical anachronism, than Viktor Orbán's speech that he held in front of pilgrims heading for Esztergom, the archdiocesan center of the Hungarian Catholic Church, in which he informed his audience that Hungary's first Christian king St Stephen had offered the country to the Virgin Mary near Alcsútdoboz, Orbán's native village.

However, the situation has changed in several ways. First, the findings of recent religious-sociological surveys prove that claiming that right-wing voters are decent, religious people, loyal to their church, whereas left-liberal voters are anticlerical, anti-religious souls is no more than political kitsch that has nothing to do with reality. The different kinds of religiosity, the relationship of religious people with the churches, the level of acceptance and social prestige of ecclesiastic institutions shows a sociologically more complex picture than politicians who tend to prefer a schematic simplification of things would have it. The results of the 2002 and 2006 elections won by the left—with some churches engaged in straightforward rightist propaganda—gives food for thought in that respect as well.

Second, the change in Orbán's attitude is in strict correlation with the argumentation technique that has increasingly taken religious faith into consideration as a factor in political practice. This means, first and foremost, transposing the domestic political faultline to the salvation historical and eschatological plane, thereby creating a transcendentially based, dual-

istic division in political and public life. In this division, political actors are invested with the image of Good and Evil, beyond the rational analyses of their declarations, programs and behavior. This is an elementary, apocalyptic struggle, and the confrontation of the two sides has been an eternal given that does not require reflection—it is enough to appeal to committed faith, and declare that positive and negative values are distributed according to political parties. In this struggle, the temporary victory of Evil cannot hinder the ultimate triumph of the Good, the unavoidable victory of divine providence; at most it can delay it.

This manichean-dualistic conception of the world—its simplistic division into Good and Evil—with the embodiment of the Highest Good (*Summum Bonum*) on one side and the personification of the Supreme Evil (*Summum Malum*) on the other, rather than employing the structure of usual political discourses, controversies and democratic processes, expresses a **need for a holy/spiritual war**, which will end with us (whose political faith is universal truth) liberating humanity (or at least our own community) from the immoral, evil, sick and depraved enemy, which is a constant threat to the just.²³ The essentialization of the enemy, or in other words—as Murray Edelman puts it—“the construction of a political enemy,”²⁴ an obsessive preoccupation with and continual allusions to the enemy, are aimed at exaggerating the actual and constant threat, primarily in order to rationalize, so to speak, the necessity to introduce severe measures against the enemy, and to justify the use of unusual and unaccepted means. Since it has been proved—by religious-ethical arguments—that the (political) annihilation or obstruction of the enemy is an activity in line with the transcendent law—natural law—and is therefore an activity that pleases God, the endowment of the just cause (*justa causa*) with a Christian ethical connotation transfers the political conception of the just war (*justum bellum*) onto a metaphysical plane, embedding the “here and now” of political intentions in a salvation historical frame. The endowment of power with a moral meaning and the endeavor to call the government to account on the basis of the principles of religious ethics is not only foreign to secular democracy but, more seriously, it **bases legitimation on suprarational principles** and, claiming to defend higher values, justifies and allows anything, even the questioning, avoidance, or—in case of an “emergency”—the disregard of democratic rules based on consensual principles (democratic elections, parliamentarism, etc.).

This political argumentation, inspired by religion, builds on two elements, combined in a peculiar way, with a peculiar motivation. Politics as

techné offers rational, i.e. justifiable and falsifiable answers to everyday challenges. In other words, political practice can be “good” or “bad,” “true” or “false.” As for religions and systems of faith, however, we cannot talk about true and false in a cognitive sense, since in their own manner, and in different circumstances, all of them are ‘acceptable,’ insofar as they all give an answer to the conditions of human existence, with more or less conceptual and emotional elements, and scientific orderliness.

If **politics slides into the realm of religion**, the consequence is not only that rational insight and argumentation based on logical rules are put into brackets; it is also that a “suprarational,” absolutistic and exclusively emotional attitude, based on unconditional faith, is given a fundamental role. It follows from the essence of the religious attitude and the “naturally given” character of religion that it concentrates on its own absolute character, and regards all other directions as delusions, as straying from the right path, and betraying the “one and only true” God, or fornicating with foreign gods. This does not necessarily mean that errant ones must be annihilated; they should simply be brought back to the flock. However, if this attitude is subordinated to political considerations, and thus becomes part of various power games, it may lead to the articulation of universalistic religious conscience as exclusive, and of a particular religious dogma as a norm to be followed by everyone, as well as the obligatory realization of all the demands stemming from it, even if they do not conform to the laws of this world, as long as they harmonize with the divine law. In which case what we have is political fundamentalism masked as religion.

The strategy of Fidesz is quite clear. Obviously, Orbán and his team are not thinking in terms of a theocratic model. The real intention of Fidesz is to demonstrate the central intention and governing will in the “free-market competition of souls” (which is an essential characteristic of plural democracies, with a great variety of ideologies, worldviews, political ideas, religions, faiths, moral and sexual attitudes, etc.). This amounts to the manipulation and control of the most personal sphere from an ideological center; in other words, the appropriation of the free and individual thinking and mentality of citizens by the state, so that Orbán could get on with his program of the transformation of citizens to his own image and likeness.

Fidesz has been stressing their own moral superiority, flawlessness, and claim to unconditional recognition, due to them being trustees of the just and good cause; from which it follows that those who are questioning this can only be embodiments of the Supreme Evil. Fidesz’s explanations

of their own situation, including their failures as well as their rise to power and power practice (which, rationally speaking, seems quite problematic), tend to be of a salvation historical character.

As Max Weber justly noted, one of the (many) functions of religion is to give an explanation to the hardships and injustices of life, and by interpreting these, to help human beings come to terms with them and increase their self-confidence. It abolishes the contradiction between what there should be and what there is, thus making the seemingly chaotic universe more transparent. The cognitive role of religion is to give an explanation when there are no explanations; and its therapeutic sense, according to Jung, is that it gives a meaning to existence, reducing the frustration nurtured by fears and anxieties. The ultimate, transcendental justice that will reward and punish our deeds guarantees a “suprarational” meaning and explanation for the party and its adherents: the political community. By cementing their political power and creating the impression that their rule is eternal and timeless, they rely on the analogy of redemption and salvation as described in the Gospel, constantly enhancing the activity and hope of adherents—whose apocalyptic role is to prepare the way for the ultimate struggle—who live in a continual tension of expectation. Power is invested with a sacred character, and the deification of the “teacher come from God” (John 3:2) is not a *post mortem* event; it is already happening in his lifetime. It is by no accident that according to Orbán’s credo as a politician and a leader, worldly power stems from divine authority, and its legitimacy over and above the laws and the constitution is ensured by the transcendental character of this supreme authority.

True, Orbán’s conversion and proselytizing has no theological consequence whatsoever, and apart from its readiness to accept material benefits embodied in various allocations, the Church does not seem to be particularly enthusiastic about the highly eclectic **theological impossibilities and blasphemous ideas** that are articulated quite unprofessionally, though with a lot of determination and a clear political aim in mind. Fidesz is a quasi-sect which confuses Catholic and Calvinist elements (mentioning saints in a Calvinist context, etc.), and includes pre-Christian and pagan elements as well, imported by some of the adherents. It is characterized by a certain compulsive syncretism, and its exclusively political relevance is its direct political practicability. This “**faith trust**” serves wide masses by addressing the “**shopping mall theology**” needs of the Hungarian public, underinformed and ignorant in religious matters. Its system of dogmas,

similar to the supply of a shopping mall, mixes Catholicism with Protestantism, and Manichean dualism with blasphemous ideas that reduce the teaching of Christianity to a flea market product. (At the 2006 election congress of Fidesz, in what resembled a veritable pagan orgy, the party's fans—public figures—went so far as comparing Orbán and Socialist Prime Minister Gyurcsány²⁵ to Jesus and Barabbas, while the Virgin Mary was degraded to the guardian of the right wing, and the leader of the opposition—Orbán—was endowed with character traits of a Savior.) But there is room here for pre-Christian shamanism as well, if need be, with all its ancient pagan traits, in a Sumerian, Turanian or Scythian outfit, including the archetype of the Turul bird, the community of blood, or omen reading. The adherents of this belief system do not practice the self-critical attitude that is the essence of politics, and those of them who do practice it are anathemized and excommunicated, their writings are banned and they are cursed from the pulpit, i.e. the media. The **Leader, who has been blessed with a sense of mission, is sacrosanct**, his whole being, his qualities as a leader, his wisdom as a teacher, his prophetic words soaring high and his moral superiority (he has never ever lied, Orbán modestly confessed) invest him with an absolute authority. Their sense of mission is manifested in the proposition that everybody must become an adherent of Fidesz, their creed is embodied in the orthodoxy of “one camp, one banner,” their sacred space is Lajos Kossuth Square in front of the Parliament building (the scene of the resurrection, or rather the anachronistic revitalization, of the historical past), and their imprecatory psalms are aimed at the innate (“genetically coded,” as Orbán has declared about the left) sinfulness of those whose convictions are different from theirs.

As for Orbán, he is not at all a cynic, someone who is trying hard to conform to PR criteria: his personality has been shaken, his character has gone through multiple changes, and now he feels he has not only found his own spiritual balance but, following the jarring failures, and then the success of the “revolution at the polling booths,” he has also dreamed up an eternal political perspective for himself as well as unceasing faith and commitment for his enthusiastic followers. The personal struggle of an individual with extraordinarily strong character traits gains a higher meaning and significance through him performing a sacrifice on the altar of the Almighty, for the future of the nation. In return, the charismatic leader can don the fancy-dress of the sacral/priestly role and that of the secular ruler as well, tailored to his person.

In an interview published a few years ago²⁶ Orbán echoed God's words from the Bible, "I am that I am," with reference to himself, and called himself "a son of God," with laudable modesty (we know from the Gospel of John that those who have received the true Light—the Logos—were given power [*exousia*] to become the sons of God), whose mission, as he professed, is not only to reunite the "nation that has been torn apart," but also to build the "land of God." He is two in one: a reuniter of the nation who also possesses the power granted to the son of God, and a worker engaged in the project of building the *Civitas Dei*.

Modern and antimodern

In 2007 Orbán said in an interview: "And as for being antimodern or modern, what does the word 'modern' mean? It means 'progressive.' Chesterton was right when he said that progress is a comparative of which we have not settled the superlative."²⁷

Orbán's mistake is symptomatic and revealing. The identification of modernity with the idea of progress is a mistake that has been widespread for almost two centuries. It is an illusion that regards the subsequent historical eras and political regimes, as well as the continual transformation of human thought and moral consciousness as a forward-moving, eternally changing and gradually improving process. In reality, however, the essence of modernity is its own "dynamic,"²⁸ the possibility and necessity of the continuous rejection, reinterpretation and rearticulation of given (philosophical, moral, political, scientific-technological, aesthetic, legal, etc.) values. Modern man is no better than the ancient man, he is not superior in any way; he is merely different. And this difference lies, first and foremost, in his rejection of authoritarianism, in his being internally driven, autonomous rather than externally guided; in his questioning everything and doubting everything—because it is allowed to ask questions and voice doubts; using his own intellect rather than referring to the authority of others, their unquestionable reputation and prestige as leader of the nation; in being critical, self-critical and skeptical, and reserving the right to criticize the historical and social role of institutions, even if they have existed for millennia.

In contrast, spiritual/antimodernist politics conceives of human action in terms of Good and Evil, and gives ground to irrational desires, instincts

and passions. Antimodernism endows the political community with the authority to realize a definite *telos*, a mystical goal, with human action serving the common good only if it conforms to the order of the “primordial base,” i.e. the divine will.

Thinking of political action in terms of Good and Evil necessarily leads to the substitution of absolute moral, spiritual or “divine” laws for social processes, and eventually to making institutionalized religion a political resource, in accordance with antimodernist political philosophy. As a matter of fact, two systems of thought are contrasted here: that of modernist, secular and civic democracies, rooted in the era of Enlightenment and humanism, on the one hand, and a hierarchical, antimodernist/spiritual political philosophy, that was most fully developed in Roman Catholic political philosophy in the history of European civilization.

The intention of allowing irrational desires, instincts and passions to enter the political scene by instrumentalizing them, raises the need for a new anthropological grounding of political thought and action, as well as for challenging the idea that human reason and understanding are capable of controlling “dark and unrecognizable” forces and instinctive reactions, or at least keeping them in check. This “anthropological turn” gains meaning in the reconsideration of the source of legitimacy of power: rather than residing in the rational, worldly conception of Hobbes’s Leviathan, which neutralizes conflicting desires and instincts, and thereby eliminates chaos, it is seen to reside in the hierarchical order of an ancient source of legitimacy that is now revived; to wit, in a transcendent justification of the “irrational desires and instincts” of man—i.e. in relation to divine sovereignty. Inverting Carl Schmitt’s famous declaration that “all significant concepts of the modern theory of state are secularized theological concepts,”²⁹ we could say that all significant concepts of today’s antimodernist political philosophy are sacralized political concepts. “Irrational desires and instincts” are manifested first and foremost in political language and argumentation techniques, making any further discourse impossible, and creating the impression that the “missionary” attitude is truthful *ab ovo*, making rational and analytic argumentation unwarranted, or downright redundant. Rational discourse, built on argumentation and logical rules, is replaced by a new way of speaking (“newspeak”).

Political argumentation based on rational arguments, clear and unambiguous concepts, factual statements and propositions by experts has been gradually superseded by a mystical-transcendent discourse and language,

built on metaphors and images, or unfalsifiable statements that are beyond rational argumentation and discourse. It goes without saying that the problem is not that some rhetorical turns of political speeches are aimed at affecting the emotions *as well*, but that cognitive thinking seems to be completely superseded by a discourse that is aimed exclusively at emotions and instincts. Therefore, discussions and controversies become pointless, as the lack of facts and arguments gives ground only for endless “metaphysical” religious disputes, devoid of rational argumentation. Together with Orbán’s beloved Dakota sayings, any effort to speak clearly and unambiguously has disappeared as well, to give way to similes and mixed metaphors, and a theological-biblical discourse that has an appeal beyond reason, or a torrent of (mostly unfathomable) words, rich in images and guaranteed to raise the adrenalin level of followers who are subdued into a grateful and devoted flock as soon as they hear certain **magically-ritually evoked catchphrases**.

At the congress of Fidesz-KDNP preceding the 2006 elections one could already observe an indulgence in such speech to the point of tastelessness and blasphemy, especially in the rows of the docile flock, transfigured into ecstatic worshippers. There were some who were so enraptured as to describe the parliamentary elections in salvation historical dimensions: “everyone must go and vote, we must convince people not to vote for Barabbas, not to release him from Pilate, but Jesus, who is the light and the life.”³⁰ The language and content of the so-called “March Charter,” signed by intellectuals—including numerous bishops—who support Fidesz-KDNP is also in line with the “instinctive,” “moral,” and “spiritual” agenda as described above. This text announces the creation of a “moral and spiritual upper house” that includes, among others, a former high-ranking cadre of the party state whose worldview seems to have undergone a metamorphosis and changed for a more lucrative one; a politician who reported to the police on his study trips in communist times, then became a Fidesz minister for foreign affairs; a poet who extended his lyrical oeuvre to include harangues full of anti-Semitic overtones; and a painter and writer well versed in Eastern mysticism, who envisioned the conflict between Orbán and Gyurcsány as a struggle between the “warrior of light” and “the knight of darkness.”³¹

From the religious historical perspective, using quotations from the Scriptures in a way that is similar to wise sayings woven on wall cloths amounts to the most common fundamentalist procedure: to distort the formal and conceptual elements of the text in order to reinforce and give

divine legitimization to the desired message and the practical intention, thereby making its truth unquestionable and self-evident for followers, adherents and fans. The weight of the text is determined by the user's intention and will: the revealed word is made "eternally valid" (and unambiguous, fitting the speaker's agenda) not by the transcendent source of the revelation but by its (self-)anointed mediator. What Old Testament prophets had to say was determined by the Eternal One ("The Lord God hath given me the tongue of the learned"³², visions are "out of the mouth of the Lord"³³), and this fact legitimized and authorized their critical stance toward the powers-that-be, as well as their own prophecies. Orbán and his entourage, however, are using the Scripture as a receptacle the content of which can be used as it suits their own political interests, independently of the meaning and context of the sentences. By distorting its sense and giving it a forced topical meaning, they give the impression as if whatever significance they wish to give the divinely revealed text was precisely what it meant to begin with. Orbán's procedure is the inverse of that of the prophets: he tries to give a tongue to the Eternal One, ensuring "supra-legitimation" for his own views. Thus appropriated, the Scripture becomes the carrier of a creed that a political or religious group declares to be absolute truth, and uses all sorts of means of power to base politics—the truest politics—on that, making it universal in all circumstances.

Referring to their own political values as if they were absolute values, Fidesz uses the entire set of tools of religious/transcendent legitimization for their own aims. The "connection of heaven and earth"³⁴ becomes the firm ontological ground on which the religious ethical definition of a moral order regarded as universal, as well as the strategy and tactic of the ultimate struggle against the Supreme Evil, is based.

By stressing the importance of religious ethic, the ideologues of Fidesz ultimately reinforce the **anti-secular tendencies** confronting the ideologically neutral state. Bringing religious ethics into the political field and articulating the dogmas of religious and natural law in a political context (i.e. with the intention to acquire, maintain or influence power) is in direct opposition to the civic morality and legal philosophy of a pluralistic Europe, variegated as it is in religions, worldviews, and ideologies. This intention is aimed at implementing religious ethic, extracted from the most personal and intimate private sphere, as a compulsory norm for the whole society by political and legal means, without taking into consideration the fact that the society is populated by believers and non-believers, religious people and

atheists, and people professing to all sorts of religious principles. Stressing religious ethic is equivalent not only to declaring that **not belonging to any denomination is the greatest source of sin**, but also to envisaging a monolithic legal system, unquestionable and unrefutable, as it is grounded in religious principles.

Dictatorially inclined politicians like to refer to the spirit of eternal and absolute religious ethic as something that transcends historical eras. The mission of the Leader is to restore “the moral order that had been upset” (as Viktor Orbán said on October 6, 2006 in his speech at the mass rally in front of the Parliament building), as his divine mission is legitimized, first and foremost, by the fact that time is out of joint and he is supposed to set it right. “We are living through historical times,” the President of Fidesz said in the same speech, thereby construing the situation as demonic, or at least Tartuffian: he himself—as the anointed representative of transcendent moral law—is elevated to the rank of an unquestionable moral exemplar; consequently, anyone who takes a different stance can only become consubstantial with Satan.

The political fundamentalism of Orbán is alarming. His reading of the Bible ultimately serves the aim of providing a transcendental justification to his own political actions and views. He uses the Bible, the divinely revealed word, as a source of legitimation, **appropriating and instrumentalizing the Scriptures** to fit his own political agenda. Orbán would even rewrite the law—his law degree does not prevent him from uttering statements like this: “A guy like me, when he starts his studies at the Faculty of Law, the first lesson he is taught at the first seminar on the theory of law is that you just cannot take a stock of life, and since this is so, it is impossible to regulate all the situations in life, so jurisprudence creates general laws that we will then have to apply to situations that are vastly different. The Bible is a living refutation of this kind of thinking, or at least of the universal validity of this legal thinking. However we may twist words, the Bible is a text and a teaching that, I don’t know how it happened, but it probably has a reason, that takes stock of almost all the situations in human life.”

The rejection of the moral, political and legal legitimation of the secular state for the sake of a higher moral authority, i.e. a sacral ideal of the state and the spiritual refiguration of politics, brings up **quite sinister historical allusions**, and this is not by accident: “an obligatory intention for moral improvement, supported by the state” (as a Hungarian bishop day-dreamed about recently)³⁵ certainly reminds one of the darkest dictatorial

regimes of history, where the fact that politics was imbued with moral precepts enabled those in power to exclude, segregate, persecute and murder their enemies on the basis of racial, ethnic, national or class criteria, in the name of some ideology and a sense of mission, derived from a “higher moral standard.”

In any case, it is hardly surprising that according to Orbán “what Hungary needs is not a political turn but a spiritual turn,” and “new intellectuals... who will articulate the standards described in the Bible for us in an understandable way, and who will represent that standard in an understandable and authentic way...”³⁶

By now we definitely have a clear idea about how Orbán set out to create this “**new class of intellectuals**” and silence the old ones in the kingdom of his dreams, populated by these “new intellectuals.”

The spirit of (sacral) laws

1. *Can a nation have a creed?*

The preamble of the Fundamental Law of Hungary, entitled **National Avowal**, does not correspond to the requirements (function and aim) of a preamble either in its name or in its content. The theological meaning of a creed (*symbolum, credo*) is a point-by-point articulation of the basic convictions and teachings—i.e. the content of the faith—of a religious community or a church, designed for public use. In other words, it is the confession of a community that is homogeneous in its faith, such as the Shema Yisrael for Jews, the Apostles’ Creed (*Symbolum Apostolicum*) for western Christians, or the Shahada for Muslims, all summarizing the basic doctrines of the most important faiths.³⁷

Thus, a creed is the essence of the doctrines of a homogeneous group, the unity of which derives precisely from the conviction of its members. However, it is a distinctive trait of religion that the various denominations regard their own doctrines—e.g. the oneness of God, the death on the cross and the resurrection of Jesus as a redemptive act, the dogma of the Holy Trinity, or the mission of the Prophet Muhammad—as being universal, independent of space and time; as eternal and irrefutable truths. Religious truth is universalistic, and it amounts to a complete misunderstanding of religious and theological thinking to claim that divine omnipotence, divine revelation or the transcendent laws pertaining to human beings can be

restricted and confined within national borders. This is essentially reflected in the word “Catholic,” as the original meaning of *katholikos*, derived from the words *kata* (“down”) and *holos* (“whole”), is “general,” “universal,” “generally accepted.”

As opposed to that, the modern concept of the nation presupposes a diverse community, heterogeneous in its faith, worldview, culture, and ethnicity, and the constitution of such a community should express unity within plurality and heterogeneity, without laying claim to universality and timelessness. The concept of a national creed is a contradiction in terms—a sign of intellectual slackness, conceptual imprecision, and category error, which is impermissible and unacceptable in a constitution.

Besides, there is a **generic contradiction** between a creed (“avowal”) and the preamble of a constitution. A creed is the essence of the suprarational, metaphysical world of a given faith, and the realm of faith cannot be described and accessed through the rational-cognitive activities and relations of people. It is not that discourse about the object of faith presupposes weaker, more fallible or deficient knowledge; it is a meditation on something “wholly other,”³⁸ based on unconditional trust, distinct from knowledge based on proof.

The preamble of a constitution, on the other hand, though it may be solemn and full of pathos, and may contain stylistic elements that affect the emotions, is expected to be generally rational, rationally apprehendable, clearly articulated and **constitutionally understood**. Rather than laying down normative provisions, a preamble should put forth points that are important for the political community, and consequently, the constitution itself must be in accordance with the principles laid down in the preamble, so that those principles and the spirit of the constitution could serve as guidance for legislative practice.

One wonders how the constitution of a secular country can include (imprecisely used) **sacral terms**. What, for example, could the authors have in mind when they stated that “We are proud that our king Saint Stephen... made our country a part of Christian Europe.”³⁹ Europe, *as such*, never was Christian, as the sacrament of baptism is reserved for *individuals*, who are thereby reborn as children of God and become members of the Church, the body of Christ. Europe cannot be called Christian even in a metaphorical sense, as it has been basically determined by the tradition of the antiquity (Greek and Roman, i.e. pagan tradition, from Greek political and philosophical thinking to ethical and aesthetic values, and Roman law), as well as by

the Judeo-Christian religious-cultural tradition, but the picture would certainly not be complete without taking into account the intellectual heritage of humanism, rationalism and enlightenment, ideologies that often explicitly opposed religion and the Church.

The following two sentences of the National Avowal are especially unacceptable: "We recognise the role of Christianity in preserving nationhood. We value the various religious traditions of our country." First of all, let us make it clear: **Christianity has no role in preserving nationhood.** The role of Christianity in preserving the *state* has been unquestionable in Hungarian history. The present state, however, is constituted by citizens of different religions, worldviews, and cultural traditions. Besides, a modern, secular constitution which professes that "The state and religious communities shall operate separately",⁴⁰ i.e. which maintains the ideological neutrality of the state,⁴¹ is not in a position to privilege any religious or ideological tradition. This formulation, however, shifts the emphasis to Christianity, perceived as having a role in "preserving nationhood," with other religions being merely "valued." But what about all those Hungarian citizens who live a decent life as atheists, agnostics, indifferent to or independent of religions, churches, and the system of values required by the various churches, and believe that they do not need transcendent grounding to be able to see the difference between what is rational and what is futile, and distinguish good and just deeds from evil and sinful acts? The Avowal does not seem to heed the principle of the equality of denominations and of equal opportunity—articulated by Act IV of 1990, the Law on Freedom of Conscience and Religion and the Churches⁴²—and clearly does not admit the cardinal criterion of **ideological neutrality**, i.e. the belief that the state should remain neutral in religious and ideological questions that divide its citizens.

The following statement of the National Avowal also seems to reflect the intention to claim institutional moral authority: "our fundamental cohesive values are fidelity, faith and love," a clear reference to the trinity of faith (*fides*), hope (*spes*), and love (*caritas*), the three divine virtues, the basis of a life of grace, of which the source, object and aim is the one and only God. This trinity gives shape to all moral virtues and determines man's relation to the Holy Trinity.⁴³

It is also impossible to understand what the authors of the National Avowal mean when they declare that "We honour the achievements of our historical constitution and we honour the Holy Crown, which embodies

the constitutional continuity of Hungary's statehood and the unity of the nation." The Holy Crown does not embody any "constitutional continuity," as in our days, when Hungary is a republic, the Holy Crown that once used to legitimize royal power, does not and cannot have a function in public law. As the ultimate trustees of sovereignty are the people, or, as the Constitution says: "The source of public power shall be the people,"⁴⁴ it can certainly carry a symbolic meaning and significance, but the legitimacy of public power cannot be derived from any entity outside society such as the Holy Crown.

Manifestly, the National Avowal seems to endow **certain churches again with privileges of public power and public law**. There is a definite danger of churches exercising an influence on the state, both symbolically and actually, as the basic principles laid down in the Avowal, which implicitly affect the spirit of the Fundamental Law and show the direction of legislative practice, enable lawmakers to enact laws—e.g. on abortion, euthanasia or the family—that follow from the tenets of the church(es), and avoid confrontation with the spirit of the Avowal. In other words, the doctrines of certain churches and denominations may become legal norms if lawmakers follow the spirit of the Avowal. The freedom of conscience and religion means that each citizen who is a believer must be given the freedom to follow and observe the teachings of their church or denomination, for example on abortion or euthanasia. However, in a modern secular and pluralistic society with a multitude of religions and worldviews the doctrines of a church cannot be imposed as a mandatory norm to be followed by everyone. In other words, **religious tenets cannot justify and legitimize laws of the state**.

2. Nationalizing the freedom of conscience

Act C of 2011 on the right to freedom of conscience and religion, and on the legal status of Churches, religious denominations and religious communities is a throwback to the times before Act IV of 1990 on the freedom of conscience and religion and the Churches.

As for the **regulation of the economic activity of Churches**, it must be stressed that a regulation that purports to be modern can only fulfill its role if it is global, i.e. if there is a unified regulation pertaining to all, without creating exceptions in a competitive situation. In other words, the regulation must aim basically at the sphere of activities rather than the subject of

the activity. This must be stressed as the amendment of the law was aimed at filtering out so-called “business churches” which took advantage of the subsidies that come with church status. **Accusations aimed at criminalizing** certain churches—accusations that have primarily political and ideological reasons as has been quite common in the course of history—have already been leveled against several churches, but none of the court verdicts justified the allegations as there were no factual proofs in any of the cases. The president of KDNP, Zsolt Semjén talked about “pseudo-churches” and “destructive sects,” giving voice to his severely discriminative view—which is impossible to prove but is a convenient way to discredit certain churches—that “a not insignificant part of the several hundred ‘churches’ amount to no more than tax evasion and swindle.”⁴⁵ His accusations leveled against the doctrines of so called destructive sects simply do not make any legal sense either.⁴⁶ Benjamin Constant saw very clearly the possibility of politics abusing religion and religious feelings when he stressed that “the government acts harmfully when it proscribes a religion because it thinks it dangerous... [it must punish] the culpable acts a religion causes to be committed, not as religious acts but as culpable ones.”⁴⁷ In other words, a lawmaker who is consistent and who genuinely thinks in terms of equal rights and opportunities should have reconsidered the existing rules and discriminative subsidies, and eliminated the special status of churches that spend public money and whose status is inconsistent with the wider economic environment. While the economic and financial issues that created anomalies have remained unsolved, the rash legislation offends the freedom of conscience of a great number of Hungarian citizens.

Coming back to the text of the Fundamental Law, it is conspicuous that the term traditionally used both in Hungarian practice and abroad, *separatio* (based on the Jeffersonian principle of the “wall of separation”; *séparation de l'Église et de l'État*; *separazione della Chiesa dallo Stato*, *Trennung – Separierung – von Religion und Staat*, etc.), and its traditional Hungarian translation [*elválasztás*] does not figure in the text. Instead, we read that “The state and religious communities shall operate separately”⁴⁸ [*különváltan működnek*]. Yet, the former expression was already used in the second half of the 19th century in the same sense in Hungarian political terminology by Ferenc Deák,⁴⁹ or in the debate on the budget in 1870 by József Eötvös.⁵⁰

Undeniably, the Fundamental Law declares that “The state and religious communities shall operate separately,” but that is precisely why one rightly presupposes that the lawmaker modified the common and unambiguous

term for conceptual rather than stylistic reasons. The word “*elválasztás*” has traditionally meant an unambiguous principle and notion: the independence of state and church from one another, the principle that has meant the sovereignty of the state and the autonomy of the church ever since the 19th century, in Hungary and elsewhere.⁵¹ The expression “*különváltan működnek*” (operate separately), however, **takes off the edge of the original meaning**, narrowing down the basic principle to a merely functional one. Separate operation makes one think of a big company with several branch offices where the planning office and the contractors’ branch may operate separately, but the two functions naturally meet on a higher level.

How the state and the church can meet “on a higher level” in Hungary, and how the “wall of separation” can become permeable is alluded to in the new law which allows churches to gain subsidies over and above the normative support, and not only for activities related to religious practice in the strict sense but for other aims as well, outside the system of tenders.⁵² Besides, “Churches may be granted tax benefits and other similar benefits.”⁵³ Also, the law declares that “Church receipts serving religious purposes or the utilization thereof may not be controlled by state organs.”⁵⁴ And of course, the “meeting on a higher level” can occur in various areas of life: in political strategies or symbolic gestures as well as in considerations based on various ideological presuppositions if not in sheer economic and financial interest. The twenty-year history of the Hungarian state and church “operating separately” has furnished numerous examples for almost all of these.

Nowadays when, as a consequence of state policy which gives numerous economic and other incentives, ideologically neutral local **government schools** are being **transferred to churches**, the following section of the law gives ground for concern: “Since church institutions are ideologically committed, they may determine such conditions concerning recruitment and the establishment, maintenance, termination of legal relationship of employment as are necessary to preserve their specific identity.”⁵⁵ In other words, the **equal opportunity** of teachers, parents, and students alike **suffer**: of those parents who would like their children to attend an ideologically neutral school, of those students who cannot enrol to another school as there is no other school in their village and will henceforth be obliged to participate in religious events of their school against their religious or ideological conviction, and finally of those teachers who do not meet the—ideological rather than professional—expectations of a school that has been transferred to a church, and cannot find employment elsewhere.

The modification of the text of Act IV of 1990 is also telling. While the earlier law declared that “in pedagogical or educational institutions maintained by the state, church legal entities may—according to the needs of students and their parents—provide religious education on a mandatory basis (as an optional subject),”⁵⁶ the last clause was omitted from the new law which is formulated as follows: “In the pedagogical or educational institutions maintained by the state or the local government, churches may—according to the needs of students and their parents—provide religious education; in institutions of higher education they may carry out faith-based activities. The public education institution shall ensure the material conditions and timeslots which do not clash with other obligatory school activities and the church legal person shall ensure the provision of religious instructors or teachers. The costs of religious education—on the basis of a separate Act or of agreements concluded with the churches—shall be borne by the state.”⁵⁷ In other words, by eliminating the element of free choice the law explicitly allows educational institutions to put pressure on parents and students alike, in order to make religious instruction, which is now not optional, compulsory for everyone, in their own best interest. And since we are talking about educational institutions, this can be quite effective if the dependence or vulnerability of parents, and especially students, is exploited by putting pressure on them even against their conscience and convictions.

In accordance with the spirit of the preamble “to enforce freedom of conscience and religion”, the new law declares that “Hungary shall recognize the freedom of conscience and religion.” (I, 1) This declaration of intention is in perfect accordance with the spirit of the preamble which also states that the law wishes to “continu[e] the tradition embodied in the Acts ensuring religious freedom.” Essentially, however, the text of the law represents a throwback as it severely impairs the principle of freedom of religion and conscience. Instead of a merely technical registration of churches, the registration process has become an authorization procedure for which “the vote of two-thirds of the Members of Parliament shall be required,”⁵⁸ and the application submitted to the Minister⁵⁹ must include “a confession of faith containing the essence of its teachings, or a summary of its most important articles of faith,”⁶⁰ and “[p]rior to the submission of the application...,” the minister may “appoint an expert to clarify whether the conditions of religious activities laid down in this Act are complied with.”⁶¹

The authorization procedure makes the political intent perfectly clear. If public power, i.e. the decision-makers of the political majority, are in

such a position, the freedom of religion and conscience will be ignored inasmuch as instead of the individual and the community defining the essence of their own church and their place within it, these will be defined by the political power, acting as holders of the freedom of religion and conscience.

In a political philosophical sense, Locke's classical definition certainly holds true: a church is "a voluntary society of men, joining themselves together of their own accord in order to the public worshipping of God in such manner as they judge acceptable to Him, and effectual to the salvation of their souls."⁶² In other words, churches are holders of entitlements that derive from the individual as well as the collective freedom of religion.⁶³ The autonomy that all religions and practicing believers are supposed to be granted "is transferred to the church and as such it obliges the neutral state, as part of the right of freedom of equal treatment of religious practices"⁶⁴ to maintain the principle of equal distance and the right to freedom of religion and to unbelief, as well as to refrain from any positive or negative discrimination. The principle of the equality of churches presupposes the practice of equality in various procedures as a matter of course.

Setting churches, denominations and religious communities recognized by the Parliament against those churches that are now relegated to the rank of associations is a basic infringement on the declared principle of, and on the individual and collective right to, freedom of religion and conscience, with the state intruding a realm where it has no right to be, and where, giving up the principle of ideological neutrality, it enforces its own preferences to make "religion a threatening institution in the hands of political power."⁶⁵ The interference of the state, i.e. the reduction of the majority of existing churches to the rank of association, is simply a political act. Let us not forget that the Constitutional Court made it clear that there are more than mere symbolic differences between a church and an association, and the difference has not only financial consequences—not only does it mean that a whole range of activities (educational, social, charitable, etc.) of communities that had hitherto operated as churches may cease, but other entitlements may be lost as well (e.g. optional religious education, etc.), and internal autonomy may dwindle as well.⁶⁶

It follows from the autonomy of churches that their registration should be a simple technical procedure, as autonomy means that churches are entitled to follow their own internal rules, with the state merely acknowledging, rather than approving or disapproving, the operation of the individual churches and denominations, if their teachings and activities do

not clash with constitutional principles. Political decision-making severely impairs the principle of the ideologically neutral state and the democratic principle of equal distance. Henceforth, political power may supersede the freedom of conscience and religion, and the autonomous commitment, choice, and decision of the individual citizens in a severely discriminating way, making it absolutely clear in various ways which religious communities it favors and which ones it considers unacceptable.

The **appropriation by the state of the freedom of conscience** is the most harmful development in the last twenty-five years of Hungarian democracy. Any form of occupation of (the freedom of) conscience by political power amounts to questioning or challenging the free choice of the individual, which is typical of dictatorships. The only reason to curb freedom of conscience can be the protection of law and order, in the name of collective interest.⁶⁷ The state is an association of equal citizens, therefore power does not and cannot have a right to make a selection, to declare a congregation accepted or rejected. The state is not supposed to formulate and declare its religious and ideological preferences; its duty is to ensure that citizens are free to make autonomous decisions according to their moral, religious, and ideological orientation, and guarantee moral liberty and freedom of thought and belief.⁶⁸ Rawls is clear that “The state can favor no particular religion and no penalties or disabilities may be attached to any religious affiliation or lack thereof. The notion of a confessional state is rejected. Instead, particular associations may be freely organized as their members wish, and they may have their internal life and discipline subject to the restriction that their members have a real choice of whether to continue their affiliation. The law protects the right of sanctuary in the sense that apostasy is not recognized, much less penalized, as a legal offense, any more than is having no religion at all. In these ways the state upholds moral and religious liberty.”⁶⁹

And Rawls is right that “Where the suppression of liberty is based upon theological principles or matters of faith, no argument is possible.”⁷⁰

“Believe, obey, fight”

(the Duce’s command to party members—from the statute of the Italian National Fascist Party)

The idea of the *telos* of a state with an ultimately transcendent foundation naturally includes the idea of the **mission of the state as an “educator of the nation”**. The words of István Mikola, a leading Fidesz politician, come

to mind here—years ago, in the 2006 election campaign, this politician who invented the expression “hordes of singles,” who labeled youth subcultures as deviant, and who suggested that dysgraphia should be cured with the traditional method used by teachers in olden times called *körmös* (beating the child’s nails with a ruler),⁷¹ envisioned the creation of a “key ministry” [Ministry of Human Capacities—Emberi Erőforrások Minisztériuma] which embodies the totality of human existence in a governmental structure as an important goal of the right-wing government, a ministry which would operate in the fundamentalist spirit of “very firm command and order-creating will,” in order to “control the desire for freedom of the individual,” and to restore Christian Hungary.⁷² His antimodernist political ideology is typified by the following declaration as well: “We need a government which is aware that this is a country with Christian foundations and with a sense of community, and that these must be revived.”⁷³

This statist attitude—the desire to educate the nation and to create a “new type of human being”⁷⁴—is also evidenced in the dream of a fundamentalist education and a “key ministry” for human affairs: “As soon as the child starts school, he will cease to be a believer, because education in the secularized world is such that schools do not teach anything about faith any more. [...] Which means that they no longer know why they are here in this world. That’s why I would like to stress that this is a Christian country and we better not forget it. The enormous energies of this country that helped her to survive all the tragedies of the last millennium all stemmed from faith. And this has relevance for public health as well, because a believer lives longer. And his or her family lives longer as well. In an unbelieving and morally wrecked country which interprets democracy as something close to anarchy illness is necessarily rampant.”⁷⁵ The same intention and direction is echoed in Orbán’s ideas as well: “So if we want to build a country and a nation rather than just be in government for four years, then we must start our long-term work by a complete revision of Hungarian education. And a key question of this revision is... whether we give our children the chance to receive the spiritual training, through religious education and teaching ethics, without which they will not be able to face challenges later in life. [...] Personally, I stand on this fundamentalist base, and I would be glad if after the elections the Hungarian educational system was ready to accept that it is worth building on this basis.”⁷⁶

Orbán’s great and bold dream has come true: as part of the national strategy, compulsory religious or, as an alternative choice, ethical education has been introduced in schools ever since.

In ideologically “neutral” schools, maintained by the state.

The intention is quite clear: nationalizing and centralizing education; appointing new school directors based mostly on loyalty; curbing the freedom of teachers and instructors; overregulating the curriculum and methodology; increased supervision of teachers (by inspectors); curbing allowances and increasing workload; introducing the rule that teachers must spend 32 hours a week at school, and students are obliged to stay there until 4 p.m.; introducing measures that curb the rights of parents; controlling students (school police); introducing daily PE lessons (without the necessary infrastructure); endowing the ministry with an absolute and unquestionable power, etc. etc.—these are all essential elements of a policy aimed at **creating and educating a new type of human being**, trained to respect order, discipline and authority, incapable of thinking independently and voicing their own opinion, subordinated to the unquestionable will of the state and of those in power.

In the process of this education, or rather indoctrination, subordinated to a political goal and ideal, optional compulsory religious education (the other option being ethics) plays an extremely important role. Zoltán Balog, Minister of Human Resources (this ministry governs education, culture, health, social and labor affairs) declared even before he became minister, in 2012, that the Churches constituted an integral part of Hungarian civic national strategy, and Orbán also stressed the importance of a strategic alliance with the Churches. By instrumentalizing the churches and religious feeling, and through the **religious re-colonization** of public life, culture, and the educational system, the political power wishes to enforce its own exclusive religious ethical views, with both political and legal means. By manipulating religious feeling and subordinating it to political aims, the political power tries to justify its own infallibility, its “higher” commitment and mission, and the unquestionable justification and justice of its own acts, intentions, goals, laws and decrees, sacrificing fundamental human rights, including the right to freedom of conscience, religion, and the liberty of speech. In accordance with the intentions of the political power, religious feeling becomes a factor legitimizing the state, and the centralized moral authority presents religious values of (especially certain) churches as the norm.

The mission of the state as educator of the nation becomes unquestionable and strategically essential: in parallel with the elimination of the counter-revolutionary ideology of the *ancien régime* and its representatives,

a “new human being” is being designed by the state, with revolutionary fervor, in the new educational system and its institutions, governed by new principles, all created in the image and likeness of the state—institutions where the faith, conscience, ideology, thinking, historical knowledge, aesthetic preferences, culture, secondary and higher studies of this new human being are reprogrammed, with a certain goal in mind.

Thus, politics, by instrumentalizing religion and using religious feeling for its own legitimation, presents its own power as timeless and unquestionable; by using and exploiting the historical past in a tendentious way, it situates its own reign in a **salvation historical frame**.

Making religious education optional compulsory, the Orbán government spectacularly renounced the fundamental democratic principle of the separation between state and church, and the neutrality of the state. This was made possible if not encouraged by the Fundamental Law. By making religious education part of the school curriculum, the state, ideologically committed as it is, clearly declared its ideological preference. One should not be misled by the fact that religious education is merely one of the options, the other option being ethics. The desire to conform, the fear of consequences, the effort to meet the expectations of the political power or the school authorities, the social pressure that particularly weighs on the inhabitants of small villages, the psychological burden, the fear from being ostracized or stigmatized, the tragic historical experience of the adherents of certain denominations and the increasingly aggressive radical views, not to mention the fact that the choice of the child will be recorded in an official document, the school report—all this add up to create such pressure as to rule out, or at least severely question whether we can really talk about freedom of choice here.

The oft-voiced argument of Fidesz–KDNP that faith must be supported by the state as part of culture, similarly to folk music, playing the pipe, or sport, is fundamentally flawed as it ignores the principle of an ideologically neutral state. While supporting religious education amounts to supporting an ideology, folk music, the pipe or sport do not qualify as ideological studies. There have not been many folk musicians, pipers and high jumpers striving for absolute power in the European experience of the last millennium, whereas churches having dreams about political power have been a recurring and traumatic phenomenon in our history. A modern, democratic state must exclude even the possibility of vindicating the right to orient its citizens towards their favorite worldview. Thus, the state **making an excep-**

tion for any religious activity—including religious education—is absolutely unwarranted. Unbelieving citizens (atheists), or non-institutionalized believers can be just as moral and constructive members of society as members of churches. Religious belief is not a prerequisite for the capacity of telling good from evil; there is no need for a transcendent foundation to be able to act morally. Therefore it amounts to severe discrimination to make certain worldviews, beliefs, and ideologies, however dear they are to those in power, an independent part of the school curriculum.

Separating and segregating children on ideological grounds or according to religious affiliation and keeping a record of their choices is a sign of sheer dilettantism if not conscious and calculated cynicism—most probably a combination of the two. For years Fidesz-KDNP politicians have been making declarations to the effect that religion is a public affair (“religion is the most personal public affair,” Tamás Deutsch, who has been a member of Fidesz from the very beginning, declared in 2006 in a dialectical spirit worthy of Lenin), adding that when religion is regarded as a private affair, dictatorship is imminent. This may be true as even the new Fundamental Law declares that everyone is free to manifest their religion or other conviction, or *abstain from manifesting* it (cf. Article VII, Section 1). However, by making religious education optional compulsory, thus institutionalizing the confessional practice in school, the faith and conviction of students, and through them, their parents—i.e. some of the most sensitive information—become “public affair.”

As for religion being a public or private affair, and its relation to dictatorships, the last two millennia of Europe are proof of the exact opposite of what Fidesz-KDNP politicians suggest. All the persecutions on religious grounds, the bloody pogroms, the condemnations of others as heretics in order to protect the “public good,” the ruthless persecution and segregation of the “differently religious” were always the privilege of churches that had a role in public power and public law, from early times through the murderous Reformation and Counter-Reformation wars down to the persecution of Jews, the Szekler Sabbatarians or Jehovah’s Witnesses as a “destructive sect.” The dissolution of monastic orders by Hitler or Rákosi was not exactly an act of respecting religion as a private affair either, but rather an example of what happens when religious feeling is regarded as a public affair, similarly to the confiscation of the private property of churches, or the extermination of Hungarian citizens because of their racial and religious affiliation, on grounds of “public interest.” Making the deci-

sions of ecclesiastical bodies binding for the state, Franco's regime in Spain also treated Catholicism as a public affair in the strictest sense, severely restricting the practice of the "private sacrament" of the freedom of speech and press, expurgating ideas and opinions that ran counter to the teachings of Church, and banning newspapers that represented such ideas.

In any case, the Fundamental Law—very rightly—does not lay out whether religion is a public or a private affair; however, it regards denominational affiliation as a strictly private affair, as it is wholly dependent on the freedom of conscience of individuals practising their own religion and faith. In other words, they are free to *manifest, or abstain from manifesting* it freely, of their own will. Whether someone is a believer or unbeliever, or whether he or she is affiliated to a denomination or not, should not make a difference from the point of view of their being able to practise their fundamental rights. Naturally, this principle does not contradict the fact that churches often provide various public services, acknowledged and supported by the state. The fact that religion—religious feeling—is a strictly private affair does not affect the fact that certain churches as institutions fulfill **public functions, using public monies**.

In his speech opening the school year in 2013, Viktor Orbán argued for the introduction of religious education and ethics, saying that it contributes to educating citizens who "will have a firm system of values, and will therefore be able to tell right from wrong." It is an essential part of religion that the differentiation between right and wrong, good and evil, stems from the basic principles of religious teaching, their "eternal propositions," their dogmatic system, and their theological conception, unconditionally accepted by the believer. As opposed to Orbán's intention, the real task of school would be to present moral-ethical problems in humanity classes (literature, art history, philosophy, history, etc.—subjects that have been severely disparaged and downgraded during this government's term), relying on the natural moral sense of teachers, and building on sentiments as well as reason. This would not deprive them of the experience of free choice and independent opinion, but would give them an insight into the diversity and complexity of the world, and the relations between right and wrong, true and false.

The desire **to forge a new human being** is dangerous; one tends to get lost in the maze of history. The legacy of the Kádár era, the mentality of the "socialist type of human being," is strongly felt in Hungary today: the fear, the complexes, the dependency, the infantile behavior, the external locus

of control, the manipulability, the utter lack of civic consciousness and civil courage, the unconditional respect for authority. Hungary's decrease in competitiveness, and the overwhelming sense of hopelessness and apathy of its citizens is due less to economic problems and much more to mental backwardness.

Those who are responsible for education in Hungary have a clear vision of this new type of human being who is in perfect harmony with the Orbánian practice of power. This is a truly hypocritical model: the transmission of religious and moral values, the hurriedly assembled religious and ethical education textbooks (the shortcomings of which were criticized several times by Cardinal Péter Erdő⁷⁷), the severe flaws in the curriculum, the myriad dilettante statements and views or their scandalous content, as well as the lack of trained instructors clearly betray the fact that religious and ethical education are mere pretexts for those in power who want to reproduce an ever greater number of externally controlled, obedient, and "one-dimensional" clones.

NOTES

- ¹ The full transcript of the conversation was published in the daily *Népszabadság* (December 21, 2006) in an article by László Rab entitled "Orbán Viktor tanúságtétele" [The testimony of Viktor Orbán].
- ² "If you remove God from the world, the only reason for duty is violence, because there's no other entitlement but power." Louis de Bonald: *Essai analytique sur les lois naturelles de l'ordre social ou du Pouvoir, du Ministre et du Sujet dans la société*. A. Le Clère, Paris: 1840, 109.
- ³ "An action is good when good in every respect; it is wrong when wrong in any respect."
- ⁴ John 3:19; Romans 1:29; Colossians 1:21; 2 Timothy 3:13.
- ⁵ Colossians 1:21; Titus 3:3.
- ⁶ 1 John 5:18
- ⁷ Matthew 6:13; John 17:15.
- ⁸ Romans 13:3
- ⁹ 1 Peter 2:13-14
- ¹⁰ Corinthians 5:13
- ¹¹ Cicero: *De re publica* II, 44.
- ¹² Thomas Hobbes: *Of Man, being the first part of Leviathan*, Chapter XI. The Harvard Classics, New York: Collier and Son, 1909-14.
- ¹³ Cf. Daniele Hervien – Léger (et al): *La religione degli europei*, Torino, Fondazione Giovanni Agnelli, 1992; Gerhard Schmidtchen: *Gottesdienst in einer rationalen Welt*, Stuttgart, Calwer – Freiburg, Herder, 1973; Paul Michael Zulehner: *Wie kommen wir aus der Krise?* Wien, Herder, 1978.

- ¹⁴ Andreas Frege: *Kirchenaustritte*, Gelnhausen, Burckhardthaus, 1977.
- ¹⁵ J.J. Dellepoort (ed.): *Die europäische Priesterfrage*, Wien, Internationale Katholisches Institut für Kirchliche Sozialforschung, 1959; Jacques Duquesne: *Demain, une Église sans prêtres?* Paris, Grasset, 1968; Jan Kerkhofs (ed.): *Europe without Priests?* London, SCM Press, 1995; Osmund Schreder (ed.): *Der alarmierende Trend*, München, Kaiser – Mainz, Grünewald, 1970.
- ¹⁶ Peter Ester, Halman Loek, Ruud de Moor (eds.): *The Individualizing Society*, Tilburg, Tilburg University, 1994; Hélène Riffault: *Les valeurs des français*, Paris, Presses Universitaires de France, 1994.
- ¹⁷ Peter L. Berger (ed.): *The Desecularization of the World. Resurgent Religion and World Politics*, Ethics and Public Policy Center, Washington, D.C., William B. Eerdmans Publishing Company, Michigan, 1999, 2.
- ¹⁸ See Samuel P. Huntington: *The Clash of Civilizations and the Remaking of World Order*, Simon and Schuster, 2011.
- ¹⁹ As the prominent Catholic author George Weigel, the biographer of John Paul II articulates: “This scenario seems to have guided thinking in the Vatican for years: an integrating Europe will be forced to ask the question of the sources of its unity, which can only be answered, ultimately, by Christianity. Thus the most enthusiastic Europeans in the Vatican have seen, in the European Union and its expansion, an evangelical opportunity—an opportunity to reverse the centuries-long process of European secularization: Brussels, setting out to make the rest of Europe Belgium, in fact succeeds in making the rest of Europe Poland.” (George Weigel: *The Cube and the Cathedral. Europe, America, and Politics Without God*, Basic Books, New York, 2005, 149.)
- ²⁰ Following change of regime, in 1991–1992, when Fidesz still defined itself as a liberal party, their MPs regularly shouted blasphemies and anticlerical slogans at right-wing MPs. They used the word “*csuhások*,” a sarcastic nickname for clerics, and offensively shouted “get down on your knees and pray” at Christian Democrats. As recorded in parliament minutes, on one occasion Viktor Orbán himself shouted scornfully after the speech of a right-wing MP: “Applause, please, in the name of Jesus Christ!” (http://nol.hu/archivum/20110430-csuhasok_terdre_imahoz-1054891).
- ²¹ Orbán used to attribute his cheap sayings (often full of mixed metaphors) to the Dakota, to indicate that these commonplaces represent eternal wisdom.
- ²² An important historical relic, the Hungarian royal crown is regarded as a holy relic by believers, and the symbol of the continuity of the constitutional statehood of Hungary by Fidesz. Therefore, in 2000 it was transferred to the Cupola Hall of the Parliament from the National Museum, thereby endowing the Parliament, a public building, with a sacred character. The Holy Crown as a source of law is in stark contradiction with the modern symbolism of the Parliament, in which the source of law is popular sovereignty.
- ²³ Because of the increasing political activity of religion, Carla Power talks about a “new Crusade” in *Newsweek*. (“The New Crusade. Fighting for God in a secular Europe, conservative Christians, the Vatican and Islamic militants find a common cause,” in: *Newsweek*, November 8, 2004.) On holy wars see Dag Tessore: *La mistica della guerra*. Fazi Editore, Roma: 2003.

- ²⁴ Murray Edelman: "The Construction and Uses of the Political Enemy," in *Constructing the Political Spectacle*, The University of Chicago Press, 1988.
- ²⁵ Ferenc Gyurcsány was the Prime Minister of Hungary between 2004 and 2009, and President of the Hungarian Socialist Party (MSZP) from 2007 to 2009. As MSZP's candidate for Prime Minister, Gyurcsány was the opponent of Viktor Orbán at (and winner of) the 2006 parliamentary elections.
- ²⁶ "Én képviselek valamit" ["I represent something"], in: *Manager Magazin*, December 2006.
- ²⁷ "A cinizmus páncélingétől kellene megszabadulnunk" ["We should get rid of the coat of mail of cynicism"], in: *Magyar Hírlap*, May 26, 2007. (The interview was conducted by Pál Dippold and Sándor Faggyas.)
- ²⁸ Cf. Ágnes Heller: "Mi a modernitás?" ["What is modernity?"], in: *Megtestesülés* [Embodiment]. Csokonai Kiadó, Debrecen, 2005, 84–97.
- ²⁹ Carl Schmitt: *Political Theology*, trans. George Schwab. Cambridge, MIT Press, 1985, 36.
- ³⁰ http://www.hetek.hu/hit_es_ertekek/200603/politikai_okkultizmus.
- ³¹ <http://www.litera.hu/hirek/a-fold-azonban>.
- ³² Isaiah 50:4
- ³³ Jeremiah 23:16.
- ³⁴ Cf. Peter Brown: *The Cult of the Saints. Its Rise and Function in Latin Christianity*. University of Chicago Press, 1980.
- ³⁵ A quotation from a statement by Balázs Babel, archbishop of Kalocsa-Kecskemét: <http://magyarkurir.hu/hirek/babel-balazs-ersek-nyilatkozata-magyar-hirlapban>.
- ³⁶ Quoted from Orbán's speech held at a conference entitled "The Church at the time of the elections," organized by the Protestant Forum and the THÉMA Association in Budapest on October 16, 2008: http://2007-2010.orbanviktor.hu/beszedekek_list.php?item=58.
- ³⁷ The source of the creed: Quran. Surat 2:255.
- ³⁸ Cf. Rudolf Otto: *The Idea of the Holy*, trans. John W. Harvey, Oxford University Press, 1958.
- ³⁹ This and further quotations are from the official English translation of the Fundamental Law accessed at <http://www.kormany.hu/download/e/02/00000/The%20New%20Fundamental%20Law%20of%20Hungary.pdf>.
- ⁴⁰ Article VII, Section 3.
- ⁴¹ Ideological neutrality does not necessarily mean value neutrality. The role of the constitution is to name definitive values (e.g. the inviolability of human dignity—Article II—, the right to liberty—Article IV—, the right to the protection of personal data—Article V—, the right to freedom of thought, conscience and religion—Article VII—, etc.), with the state refraining from formulating preferences for any religious community.
- ⁴² Act IV of 1990 declares that nobody is to suffer a disadvantage or be granted an advantage for professing or practicing their religion. [(I, 3.§ (1)]
- ⁴³ 1 Corinthians 13:13.
- ⁴⁴ Article B, Section 3.

- ⁴⁵ Zsolt Semjén: „Vallásszabadság – kérdőjelekkel” [Freedom of religion – with some questions marks], in: *Új Ember* LXI. 4. (2005/01/23).
- ⁴⁶ Cf. András Sajó: „A «kisegyház» mint alkotmányjogi képtelenség” [‘Small’ churches – a nonsense in constitutional law], in: *Fundamentum*, 1999/2, 93.
- ⁴⁷ Benjamin Constant: *Principles of Politics Applicable to All Governments*, trans. Dennis O’Keefe. Indianapolis: Liberty Fund, 2003. VIII, 10.
- ⁴⁸ *The Fundamental Law of Hungary*, Article VII, 2.
- ⁴⁹ *Deák Ferenc beszéde a képviselőházban az állam és az egyház közötti viszony szabályozásáról* (1873. június 28.) [Ferenc Deák’s speech in the House of Representatives about the regulation of the relations between State and Church, 28 June 1873], in Árpád Zeller: *A magyar egyházpolitika 1847–1894* [Hungarian Church policy, 1847–1894]. II. Boruth E. könyvnyomdája, Budapest, 1894, 131–132.
- ⁵⁰ *Báró Eötvös József vallás- és közoktatásügyi miniszter törvényjavaslata a vallás szabadságáról és a vallás-felekezetek egyenjogúságáról* [The bill of Baron József Eötvös, Minister of Religion and Education, about the freedom of religion and the equality of denominations], in Árpád Zeller: *A magyar egyházpolitika 1847–1894* [Hungarian church policy, 1847–1894]. I. *ibid.*, 548–549.
- ⁵¹ Cf. Gábor Schweitzer: „Elválasztás vagy összefonódás? (Margináliák az állam és az egyház 1990 utáni kapcsolatához)” [Separation or interlocking? Marginalia on the relations of State and Church after 1990], in: *Állam- és Jogtudomány* XLIII/3-4 (2002), 301–314.
- ⁵² “Churches may receive support from sub-systems of government finances on the basis of special sectoral rules of law, from programmes financed from EU funds or on the basis of international agreements, by way of tenders or outside the system of tenders, on the basis of a specific decision.” (Act C of 2011, Section 19, 6)
- ⁵³ Section 20, 5.
- ⁵⁴ Section 21, 1.
- ⁵⁵ Section 12, 2.
- ⁵⁶ *Act IV of 1990 on the Freedom of Conscience and Religion, and on Churches*, Section 17, 2.
- ⁵⁷ Section 24, 1.
- ⁵⁸ Section 11, 1.
- ⁵⁹ Section 14, 1.
- ⁶⁰ Section 15, 1.
- ⁶¹ Section 17.
- ⁶² John Locke: *A Letter Concerning Toleration* (<http://www.constitution.org/jl/tolerati.htm>)
- ⁶³ Cf. Gábor Schweitzer: „Egyházak és jogállam – kérdések és remények” [“Churches and the constitutional state – questions and hopes], in: *Acta Humana*, 2000, 39–40, 35.
- ⁶⁴ András Sajó: „Szabadságjogok és egyenlőségek” [Liberties and equalities], in: *Vallásszabadság, társadalom és hatalom* [Freedom of Religion, Society, and Power], *op. cit.* 25.

- ⁶⁵ Benjamin Constant: *The Liberty of the Ancients Compared with that of the Moderns*, 168.
- ⁶⁶ See the argumentation of Decision 8/1993 of the Constitutional Court.
- ⁶⁷ "...liberty of conscience is to be limited only when there is a reasonable expectation that not doing so will damage the public order." See John Rawls: *A Theory of Justice*. Oxford University Press, 1990, 187.
- ⁶⁸ Ibid., 186.
- ⁶⁹ Ibid., 186.
- ⁷⁰ Ibid., 190.
- ⁷¹ <http://www.stop.hu/showcikk.php?scid=1033433>, and <http://www.hirszerzo.hu/cikk.php?id=10836>
- ⁷² <http://www.stop.hu/showcikk.php?scid=1033433>
- ⁷³ <http://www.stop.hu/showcikk.php?scid=1033433>
- ⁷⁴ <http://www.stop.hu/showcikk.php?scid=1033433>
- ⁷⁵ <http://www.stop.hu/showcikk.php?scid=1033433>
- ⁷⁶ <http://nol.hu/archivum/archiv-428887-238483>
- ⁷⁷ See e.g. http://nol.hu/belfold/20130913-a_biboros_ellenallt_semjennek?ref=sso; http://nol.hu/belfold/fogytan_erdo_peter_biboros_turelme?ref=sso; http://hvg.hu/itthon/20130905_Bizonyos_idegesseg_figyelheto_meg_Erdo

András Bozóki

Nationalism and Hegemony: Symbolic Politics and Colonization of Culture

In this chapter the cultural politics of the Orbán regime will be interpreted in the context of the regime as a whole. In post-2010 Hungary, cultural policy cannot be viewed as one of the governmental sectors separable from the prime minister's concept of power and symbolic politicking. The autocratic worldview and nationalist political culture represented by him are closely related to what his underlings perform under the rubric "cultural policy." The essence of cultural policy is expressed by the notion of nationalism. This approach does not much tolerate alternative worldviews and artistic expressions; it seeks to achieve hegemony, if not cultural monopoly. Representatives of the regime do not enter debates on cultural and political values—they simply disregard the opposing views and aim to represent their own hegemonic approach which is identified with "the nation." The cadres appointed as chiefs of a sector act according to the prime minister's expectations.

Yet, culture is a terrain that cannot be totally controlled. Not only because of the widespread use of electronic communicational means but also because culture is peculiar; it is inherently diverse and autonomous in terms of its creation and reception, and potentially unconventional in providing new modes of perception and thinking. Institutions can be seized, a cultural administration can be unseated, but culture cannot be replaced with the help of hate campaigns, propaganda, or symbolic politicking. For the Orbán regime, symbolic politicking is a means of dismissing culture and legitimizing its own dominance. In this essay I will discuss the specifics of this phenomenon.

Farewell to Liberal Democracy

The policies of the right-wing Fidesz government coming to power in 2010 covertly suggested that in times of crisis it is appropriate to limit the rule of law in a democratic state. It is the sovereign deciding about a state of emergency, as Carl Schmitt once observed,¹ and it soon became obvious that, for Prime Minister Viktor Orbán and his staff subscribing to authoritarian politics, sovereignty is more important than democracy. If the mainstream European idea of democracy is liberal, then the new antiliberal politics would rely not on this version but democracy's "sovereign," "eastern," "majoritarian," "authoritarian" cousin, limited and deviating from the interpretive framework of international conventions.² It was in this spirit that Orbán's underlings in the cultural sector expressed their views—such as the statement "I don't care a damn about this democracy!" by the president of the Hungarian Academy of Arts (Magyar Művészeti Akadémia [MMA]), the head of state's highest ranking cultural gatekeeper.³

The government enjoying a two-thirds parliamentary majority due to a distorted election scheme has curtailed the democratic rule of law in the name of "national sovereignty." It has cut back on the freedom of the press, education, and religion; limited the purview of institutions serving to protect the constitution and human rights, the freedom of assembly, the autonomy of the courts, the legal process of plebiscite and popular initiatives, the rights to strike and to belong to trade unions, as well as axed social insurance as a civil right. These amendments have gone beyond a state reform profoundly affecting societal relations, and thus may be dubbed a form of refeudalization. Not only has the autonomy of the governmental sector been eliminated; in effect, all groups in public employment have been integrated into a state bureaucratic order or chamber. The outbreak of the economic crisis in 2008 offered the prime minister the opportunity to redefine the political situation as revolutionary, that is, as a state of emergency, and thereby to justify his personal need to expand his dominance.

Orbán replaced the constitution with what was called a Fundamental Law, which essentially states that the citizens are ready to adjust to a new order, as he named the "System of National Cooperation" (Nemzeti Együttműködés Rendszere [NER]).⁴ In 2011 a coup directed from above

took place in Hungary.⁵ A liberal constitutional concept premised on the neutrality of the state was replaced by a confrontational notion of the state built on the dichotomy of “good” versus “bad” and “friend” versus “enemy.” The keywords of the new system are “work,” “home,” “order,” “nation,” and “family.”⁶

This conception envisions a hierarchically organized society in which the fundamental components of the national unit are not individuals but families contributing with their hard work to the success of the nation construed metaphorically as an extended family or tribe. This entailed a significant turn in the realm of culture as the government’s symbolic politics came to substitute for cultural policy. The only criterion of national identity is the tribally understood “national collectivity”—grounded in primordial ethnic and blood ties—manifesting itself in political loyalty.

The concept of political nation gave way to the ethnic idea of national consciousness. On inaugurating the monument of “National Togetherness,” Orbán voiced his conviction that the Turul bird is the ancient image under which the Hungarians are born. “From the moment of our births, our seven tribes enter into an alliance, our Saint King Steven establishes a state, our armies suffer a defeat at the Battle of Mohács, and the Turul bird is the symbol of national identity of the living, the deceased, and the Hungarians yet to be born.”⁷ He conjectures that, like a family, the nation also has a natural home—in our case, the Carpathian Basin—where the state-organized world of work produces order and security, and one’s status in the hierarchy defines authority. All these concepts have replaced an earlier public discourse whose central categories were liberal democracy, the market economy, pluralism, inalienable human rights, republicanism, the elected political community, and cultural diversity.⁸

The Orbán regime launched an intensive renationalization with the aim to recuperate all the wealth that, in their view, was unfairly distributed in the earlier waves of privatization. This process is singularly governed by one political group parading in national colors, the Fidesz leadership. Political loyalty is the only marker of group membership; therefore, it can be described as a political family attached closely to the most influential political entrepreneurs. Since renationalization was accompanied by the powerful centralization of the state, concepts such as “state interest,” “national interest,” “national culture,” and so forth are defined by this small group. In all practicality, the prime minister acts as a head of the political family

that controls the distribution of funds from the European Union. He uses EU money to legitimize his regime—a regime that has departed from the common European values.

All of this cannot simply be viewed as a state capture; indeed, by virtue of its centralized organization and the demand for political loyalty, the phenomenon points beyond the concept of crony capitalism as well. The political and economic have for long been intermingled in the Fidesz enterprise in that state capture was the prerequisite of the renationalization project, which in turn was followed by achieving further political and economic goals. The primary political goals included the radical transformation and centralization of the power structure, the elimination of the law's autonomy, the relativization of democratic polity, and, certainly, staying in power. The economic goals were the reprivatization of the newly accumulated state assets, the rewarding of individuals belonging to the political family, and the bolstering of the circle of supporters promising further political advantages. Nationalization is to be succeeded by another round of privatization with which the current elite, relying on a small group of the indispensable and the influential as opposed to the majority of society,⁹ attempts to render its newly produced status quo irreversible. The mafia has moved into the state apparatus; indeed, it became almost identical with the state.

All these swings seem similar to the elitist versus populist political rotational system of some neighboring countries (Slovakia, Poland, and so forth) but the turn in Hungary goes deeper, since behind Orbán is a qualitative majority rather than merely an obliged stratum of cadres. It was on these grounds that the head of state could proclaim a so-called national freedom fight against the European Union of which his country is a member! What makes this autocratic political experiment unusual is that the attempt at this transformation is being carried out in an unsuited political system environment—in a multiparty context where democratic norms prevail—by one of the democracies of the European Union. Because of these constraints, at times, the leaders of the regime have to couch the defense of their rule in democratic discourse. They rely on the continued inward flow of EU funds, but they use those funds to develop authoritarian and nationalist political practice. Hypocrisy thus forms an integral part of the emergent post-communist mafia state's workings.¹⁰

The Cornerstones of the Orbán Regime

The head of the ruling political family builds his power on the following six elements: first, the so-called “central power field”; second, “national unification” based on ethnicity; third, social exclusion; fourth, a radical change of elites; fifth, the politics of sheer force, and, sixth, the idea of an alleged revolutionary situation. All of these go beyond simple rhetoric being as they are the cornerstones of the actual sectoral policies of the Orbán government, including its cultural policy.

First, the idea of political will defined by Orbán as a *central power field* departs from the model of competitive democracy and proclaims a monopolistic party system. Orbán believes that in the two decades following 1989 a dualistic party elite came into being. Characteristic of this elite was a “constant debate on values” lacking shared or common goals endorsed by both sides. The political power field under Fidesz rule, in contrast, is centered, in other words, no longer divided. As a result, in the next fifteen to twenty years Hungarian politics could, in Orbán’s view, be defined by one large governing party capable of articulating a national agenda.¹¹ To produce such a condition, he believes, is not only plausible but desirable as well.

Liberal democracy has at least three fundamental components: competition, participation, and civic freedoms. If the possibility of competition is decreased and the state’s institutions guaranteeing civic freedoms through the rule of law are mutilated, precious little democracy is left to exist. What remains is well-known from the state socialist era: a “people’s democracy.” Aside from the ideological commitment, the current system is much the same. Orbán does not care about economic, cultural, and political alternatives as he strives to realize a singular political will. Yet, democracy cannot survive without alternatives.

Second, almost all of the regime’s important messages are traceable to the idea of an *ethnicity-based “national unification”* to be understood symbolically as well as literally. The policy of national unification redefined the concept of nation from a political to an ethnic community. Not only does this policy defy the Trianon Peace Treaty ending World War I, but also the legacy of the communist system and the forces of current globalization. It suggests that in this battle there is but one fortress, the nation. As Viktor Orbán explained in a privately held speech for his close adherents in 2009,

the aim of governance is to create a "Hungarian country" referring to the Hungarian characteristics of existence. This idea means that the Hungarians have a unique perspective in comprehending and describing the world. This cultural quality must be protected by the government. From a civil law perspective, the goal of governance is "to lead Hungary" but its content is to ensure that it remains a "Hungarian country."¹² The task of governing is to ensure what may be called "national self-interestedness" (*nemzeti öncélúság*). The meaning of this notion is determined by the head of state, according to his actual political interests.

The basic concept of national unification implies that Hungarians living abroad cannot be viewed as minorities but rather as fully franchised members of the nation, hence eligible for the right to vote, which is granted upon request. But the prime minister contends that civic freedoms, political pluralism, and membership in the EU and in the Western political alliance are significant only to the extent that they do not contradict the primacy of what he calls "national issues." With this, he implies that the listed issues do not form part of the latter. The right-wing Transylvanian politician László Tőkés believes that "national unification beyond the borders was Viktor Orbán's deed; he elevated the remedying of Trianon from lamentation to the level of national politics."¹³

Thirdly, an important feature of the Orbán regime is *social exclusion*. In domestic politics national unification refers to the "system of national cooperation," an alternative to liberal democracy. But missing from this notion are the lifting of the poor, the downwardly mobile, and the Roma, republicanism, and a respect for social and cultural diversity. The nation is unified in his rhetoric but in practice it is socially torn apart. Instead of the plebeian understanding of "the people" (*nép*) and of the earlier Orbánist idea of the civic/bourgeois (*polgári*) Hungary, his vocabulary features "nation" as ethnically and historically construed.

Between Miklós Horthy's revanchist "Great Hungarian Path" of the interwar era, and the communist János Kádár's "Small Hungarian Path" permitting the more or less sheltered growth of a petty bourgeoisie,¹⁴ Orbán tries to strike a balance in an unorthodox manner. He does not want to lose either the Horthyist or the Kádárist voters. His policies are selective in targeting various social strata in diverse ways, favoring the rich with the neoliberal policy of the flat tax, while pacifying the middle and lower middle classes, who fear sliding down the social ladder, with nationalist propaganda. With regard to the Roma and the destitute, the discriminatory views

prevalent in the Horthy era's "gentlemen's Hungary" are bolstered, while in treating the retirees, the Kádárist pragmatic policy of "peaceful coexistence" is applied. Not only does social exclusion operate hierarchically but also horizontally, with the government determined to break up civil society into smaller groups that will not communicate with one another. Thus, the idea of social exclusion is linked to the practice of *divide et impera*.

Fourth, through the politics of centralization¹⁵ encompassing nearly all the terrains of society and state, the Fidesz government has been attempting a *radical replacement of the old elite* with a new one primarily by unseating the governmental, economic, and cultural position holders of the past few decades and appointing its own cadres in their place. Viktor Orbán states that the power political system created by the left after 1990 has collapsed, one that guaranteed them securing the elite positions of society. A new, financially viable system needs to be engineered, in his view, expressing national self-interestedness.

The ideology of changing the elites is comprised of anticommunism, antiglobalism, and the never clearly articulated notion of "commitment to the nation," formally expressed in symbolic messages but no longer offering real substance, providing instead a smokescreen to hide a lust for power. The new elite uses a populist rhetoric. From the attorney general to the general director of the Hungarian State Opera and the head of the national tax bureau, all the leaders come from the same closed political circle. The drastic efforts to entrench cronyism are meant to send the message to the public that there is no life beyond the "system of national cooperation."

Fifth, the politics of the Orbán regime does not draw on classic ideologies since, as the prime minister surmises, the era of ideologies is over. Viktor Orbán is not a conservative politician; instead of ideals, he believes in the maximization of power, in a *politics of force* devoid of both principles and compromises.¹⁶ He concocted an election law so rigged that it has made coalitional governance practically impossible. It is not freedom but the ironfisted leader that safeguards societal order. He appears to embody the traditional patriarchal mentality of hundreds of thousands in the Hungarian countryside. The types identifying with him obey their superiors and trample on their underlings; or obey their superiors as long as they feel their bosses keep an eye on them. And those not "making it" or having no possessions "are worth nothing," as János Lázár, a top politician of Fidesz, professed.¹⁷

And, finally, sixth, Fidesz's electoral victory of 2010 was interpreted by Orbán as a *revolution*. This discursive move was to justify for the voters

his resort to unusual methods in what he represented as a state of emergency—an extraordinary situation requiring extraordinary policies—while controlling a two-thirds majority in the parliament. This enabled him to employ the full palette of military-style and blitzkrieg tactics through which, having seized legislative initiatives, he rapidly transformed civil law in a consistently antiliberal manner. Despite using a rhetoric evoking 1948 and 1956 such as “revolution and war of independence,” Fidesz has devised a state party-style rule grounded in the head of state’s dominance fashioned as a tribal leader or head of a family.

From the start, Orbán has endeavored to underpin his power by several pillars. To put it in sociological terms, he wanted to draw simultaneously on what Max Weber described as legal-rational, charismatic, and traditional legitimacies.¹⁸ In his debates and on the European political forums he relies on his *legal-rational* legitimacy gained through a democratic election. In front of his party adherents and his fanatic voters, however, he appears as a *charismatic* politician. In the eyes of his lower-middle-class voters in the countryside Orbán’s credibility is granted by the way he incarnates a plebeian and “*kuruc*” habitus entrenched in Hungarian history, in other words, *traditional* legitimacy.¹⁹

The Fidesz Party has no internal power groups critical of the head of state and articulating political alternatives; therefore, the leader’s will tends to prevail without any restraints.²⁰ This would not have been possible without total discipline within the Fidesz fraction where no deserters, dissidents, internal opponents, leavers, or members switching party allegiance are tolerated. The so-called “revolution” led to the Fidesz leadership occupying the state, and through its hierarchic reorganization, their tentacles reach everywhere. From the party, no free exit is possible that would allow for a former Fidesz representative to go on with his or her life as a private citizen. It is not worth deserting because the party may go after such a person and undermine his or her livelihood. For a long time now, Fidesz has not been operating as a democratic party but rather as a tribe or family. Becoming cast off from the family means falling into an abyss. However, Orbán is keen to keep his adherents within the party/family’s celestial sphere in order to avoid creating martyrs and shifters of loyalty.

The “revolutionary” ruling party governed by the slogan of “Those who are not with us are against us” outwardly speaks the language of populism to the public; inwardly, for its members, however, it produces situations of extortion viscerally associated with belonging to a mafia. “While fear is gov-

erning life”²¹ in every nook of the government and the party operated as the transmission belt of the sovereign’s power.

Instead of Cultural Battles (*Kulturkampf*), Battles against Culture

For the first Orbán government (1998–2002) “culture” played a strategically vital role to legitimize its rule within the framework of democratic polity. At the millennial celebrations of the Hungarian Conquest (895–902), the prime minister attempted to locate culture in the context of Hungary’s thousand-year-old statehood so as to solidify the continuity of traditional Hungarian right-wing politics. At the time, he did not refer to a revolution but repeatedly stated that more than a governmental change had occurred with his election.

During this period, the former royal crown was taken from the National Museum to the Parliament of the Republic; an independent cultural ministry called the Ministry of National Cultural Heritage was established; the House of Terror museum, the Millenáris Culture Center of Buda, and the National Theater opened, and thousands of flags were donated to small towns. In addition, landmark buildings in Budapest were renovated, including the Basilica, the Sándor Palace, the Urania National Motion Picture Theater, and the Sports Arena suited to house both cultural and sports events. The Széchenyi Program was launched with the premier of the mega-budget film *A hídember* (The bridgeman; dir. Géza Bereményi, 2002) serving as its ideological underpinning—a parable for posterity based on the life of the nineteenth-century national liberal reformer István Széchenyi. During this era, moreover, the building of the Holocaust Documentation Center and the Palace of the Arts began, later inaugurated by the socialist-liberal government. Tellingly, the left-wing governments tended to bring the construction projects started by the right wing to fruition, while the right coalitions terminated, delayed, or radically revamped anything launched by the left. Orbán is of the conviction that only the right wing can unify the nation whereas the divisive left “strikes at its own nation” time and time again.²²

At the turn of the millennia, the regime’s cultural policy had definite ideological purposes such as the creation of a “civic Hungary,” the winning of the conservative cultural elite so that Fidesz could firmly secure its

position in the Christian national camp. In order for his party to become the leading force of the right wing, Orbán needed historical and cultural symbols to represent the principle of “One banner, one camp.” Therefore, he regularly participated in the festive Catholic processions held on 20 August; delivered an annual speech at the Association of Civil Cooperation, the main forum of the right-wing intelligentsia; and supported the right-wing Batthyány Society of Professors. In the wake of his defeat in the elections in spring 2002, he formed the so-called “civic circles” made up of his adherents.²³ Orbán did all in his powers to build up a media empire in opposition to the socialist-liberal government. One of his chief advisors became the director of the House of Terror museum while another was the editor-in-chief of the right-wing weekly *Heti Válasz*, a role which subsequently was filled by his former spokesperson. He removed almost the entire editorial staff of the right-wing daily *Magyar Nemzet* and advocated the founding of the Fidesz-influenced news television station Hír TV.²⁴ Even though Orbán lost the 2002 elections, thanks to his forging of the civic circles and a Fidesz-friendly media hinterland, by the middle of the decade the right-wing milieu acknowledging him as the leader of the right grew robust.

In the area of culture the second Orbán government (2010–14) saw merely unnecessary expenditure and potential critics, and wanted to get rid of both. This change has been substantial. The head of state did not wage a classic cultural battle since that would have required him to make arguments. Instead, he changed the leadership of institutions in order to, essentially, eliminate the latter’s intellectual and political autonomy as well as to place his circle of sycophants into top positions.²⁵ Since 2010 Hungary has been witnessing a battle against culture rather than a *Kulturkampf*, that is, a cultural battle.

Those interested in the fundamental principles of Hungarian cultural policy since that time should not look for articulations of cultural strategies or cultural policy programs—since anything resembling such documents are nonexistent—but consult the following three texts of political and ideological significance: Viktor Orbán’s speech delivered at the village of Kötöcs (2009),²⁶ the Declaration of National Cooperation (2010),²⁷ and the National Avowal, the preamble to the Fundamental Law of Hungary (2011).²⁸

The shared substance of these documents is the presumption that essential to governing is a central power field “filled” by the *politically homogenized culture of an ethnically defined national community*. In this interpretation, there

is no other legitimate form of culture than the “national culture,” which is not meant to be layered, multidimensional, and sophisticated but homogeneous. This approach dislocates culture, whose place is taken by political symbols. Thus culture is not a field of autonomous activities but a handmaiden of politics. Absent is the idea of cultural diversity deemed as a value in its own right; on the contrary, the function of culture is ideological and propagandistic. It is subservient of the new “system of national cooperation” achieved through a “national freedom fight” following the “revolution at the polling booths” of 2010. The goal of its use is to justify the autocratic and voluntarist political practice that may “unite the nation” but tear up the country.

The Orbán regime attempted to define itself with a number of conscious symbolic gestures. The System of National Cooperation (NER) is based on a text—sacred by its authors’ intentions—which had to be framed and posted as a ritual act on the walls of public institutions. The “Declaration” was based on the idea that Hungarian culture is text-centered, and the one who controls the language also controls the narrative—the “story”—and, ultimately, culture as a whole. The foundational text of NER was an attempt to take possession of the language; for instance, therein is declared a revolution, which had not been declared since 1956! The regime aims to relativize, rename, and replace previous consensual concepts associated with a democratic system. To rewrite the past and, consequently, the present via definitions and declarations is the novelty of the preamble of the Fundamental Law and can be compared to the National Avowal. It revokes the political and cultural consensuses of the regime change, brackets off the past twenty years of domestic history, and manipulates the past to legitimize the regime.²⁹ Voluntarism has substituted for consensus.

Since 2010 there have been several efforts to establish an hegemony via cultural production in the interest of the regime’s long-term entrenchment. For instance, the festivities celebrating the parliamentary approval of the Fundamental Law scheduled for Easter 2011 and featuring the new exhibit “Heroes, Kings, and Saints,” explicitly served this purpose. The government desired to see its own apotheosis in the Hungarian National Gallery in the mirror of historical artifacts elevating its constitutional activity into the ranks of the grand, momentous events of history.³⁰ In the long run, the parliamentary majority would not suffice; powerful symbolic politics and a system of historical and cultural justifications had to be devised. This was exemplified by the governmental order to rewrite and standardize the literature textbooks of public schools in the spirit of valo-

rizing the extreme right's literary tradition of the interwar era (1919–40)—marked by names like Albert Wass, József Nyírő, and Cécile Tormay—as a competitor with the tradition established by *Nyugat* (West), the cosmopolitan journal representing supreme literary qualities. A series of portrayals of historical events was commissioned from a group of loyal artists by the prime minister's cultural appointee; an array of visual artifacts was ordered for the luxury edition of the Fundamental Law handed out to graduating high school students; moreover, these works were displayed in the National Gallery and across the country. All the politically governed acts of uniformity transpiring in the institutions of culture ever since have formed part of this broader endeavor.

The governmental forces turned the control over the institutions into a key question in that they merged the Hungarian National Gallery with the Museum of Fine Arts and advanced the National Theater, the Hungarian State Opera House, and the Hall of Art (Múcsarnok) into fetish sites. Revoking the head of the Opera appointed by his own minister just two days earlier, the prime minister himself placed a government commissioner³¹ to promote him subsequently to the position of general director. Political loyalty served as the sole criterion of his selection since this person had worked as a program host with a television channel allied with Fidesz. The government ceded the Hall of Art to the Hungarian Academy of Arts so that it should host so-called “national exhibitions” embracing the culturally mediocre but, in doing so, they drove their own earlier appointee into a vacuum. Art's role is evaluated by this elite strictly in terms of its symbolic political function.

The National Theater provided a particularly significant site of right-wing symbolic politics. For Fidesz, this institution is so imbued with sacred qualities that they refused to allow its erection to their “unpatriotic” opponents, for strictly ideological reasons. In 1998 the first Orbán government halted the construction of the theater which had been started by the first socialist-liberal Horn government; later, bypassing the application process, they completed it at an unusually fast pace. Hardly coincidentally, the opening of the National Theater took place—in Viktor Orbán's presence—during the election campaign, on 15 March 2002, the anniversary of the outbreak of the legendary 1848 revolution against Habsburg rule.

This allegedly sacred building was not to be usurped by the innovative director Róbert Alföldi—automatically regarded as a left-liberal by virtue of his appointment by socialists in 2008—because, in their eyes, he could not

authentically address what the rightists call national existential questions, irrespective of his professional merits. Under persistent political pressure, opportunities for independent art criticism evaporated. The director's most vocal critics had not even seen Alföldi's works. Why would have they needed to, given their certainty that Alföldi's "unpatriotic" productions simply did not fit in there. In an interview the director related this as follows:

My perception is that we're moving toward a kind of society where uniform thinking is required. Each and every institution and creative individual unwilling to conform and stand in line, portraying something that begs to be portrayed because in 2013 it's a fundamentally important issue in a European democracy—well, they will cause trouble. Also, if someone does not live in a traditional type of family, that just adds fuel to the fire... The problem is that a segment of society and the political establishment regard it as their imperative to control thought—people's minds—and the ways a play expresses an individual's ideas. Not only is this absurd but it is reminiscent of the dark days of the past.³²

By the end of his tenure, in the eyes of the right-wing pundits Alföldi embodied what Pussy Riot did for Putin—outrageous provocation. In light of this, it was even surprising that, his ordeals notwithstanding, he was able to stay through the end of his five-year mandate as head of the institution.

The right-wing director Attila Vidnyánszky subsequently took Alföldi's position in a manner that defied the conflict of interests in the application process reaffirmed the National Theater's sacralization by the government. He stated that "for me, the National Theater is an institution of particular significance and I view [my appointment] as my career's summit. It's a sacred place.... I will have it consecrated ... because I believe that the cause of the 'National' like the nation's soul is best captured in a metaphysical dimension."³³ This was precisely what the appointers of the new director wanted to hear, caring precious little about his future professional performance. The point was to address the "nation's soul" since Orbán assumes that only they are entitled to do so.

The story of the planned rehabilitation of the Castle Bazaar and the Dísz Tér of Buda Castle was similar to the National Theater's. The socialist-liberal government intended to renovate both of them but the district mayor, a veteran Fidesz member, vetoed it at Orbán's call. This indicates

that for the party it is not culture but the consecrated sites of symbolic politics that matter. In other words, no “un-Hungarians” (*nemzetidegenek*) are to ever lay a hand on these symbols.

Buda Castle holds peculiar symbolic significance for Viktor Orbán. During his first period in government he ordered the renovation of the Sándor Palace, the residence of Hungarian prime ministers through the Horthy era, with the aim of moving in there. The socialist–liberal administration in turn deemed the Palace the work residency of the republic’s president of all times and this has not changed so far. But in 2012 the Orbán government decreed that the prime minister, too, would be moved to Buda Castle, more specifically, to the former Carmelite Cloister located next to the Sándor Palace. As part of this plan, they announced their intent to relocate the institutes of the Hungarian Academy of Sciences, the Hungarian National Gallery, as well as the National Széchenyi Library from Buda Castle, that is, the representative cultural institutions of this special site would be replaced with the institutions of statehood and power. All of this signifies a return to the symbolism of the pre-1945 historical era.

From the royal castle area the academic institutes will be moved to a new building in the city’s outskirts, while the museums, integrated with other institutions, will be centralized in the City Park of Pest (Városliget) as the “museum quarter.” A broad-based professional and social protest has sprouted against this plan over the past years.

Orbán’s cultural policy is based on the reluctance to view culture as an autonomous, multicolored, and free organism. To erect buildings along these lines is possible, but to shape the workings of genuine culture in the same way is impossible. The government believes the old proverb that whoever pays the piper calls the tune. Thus, no challenges are allowed about the designation of sacred sites and cultural actors are expected to behave themselves if the party controls the cultural and artistic institutions. The conqueror defines the nation’s cultural content, inscribes the canon, and shapes the minds of its artists as well as its people. Such an approach to culture is the epitome of dictatorships.³⁴

Many may have thought at one time that the alternative to state-controlled culture would be the marketplace. And while the globalizing market does take care of some problems, it cannot deterritorialize the democratic state in terms of cultural sponsorship. The thriving not-for-profit initiatives in contemporary art have to do partly with disillusionment with the omnipotence of the market. There are, and there will always be, cultural

performances and fields that defy measurement, whose assessment resists the market's logic, and for which commerce does not produce sufficient resources. An example would be art education, more precisely, the overlap of art and equal educational opportunities. Another would be the art of minorities or *outsider art*.³⁵ Currently, there is no legal framework for cultural sponsorship or patronage. As long as the legal regulation is absent, art's commercial viability will remain a problem. This seems to be, however, the very goal of the power elite interested in curtailing autonomy in society.

The radical increase of central political control over culture inevitably produced, once again, political art engaging in self-defense against the regime.³⁶ In its ranks are the Free Artists protesting against the growing political pressure and the colonization of the Hall of Art;³⁷ the group Unite for Contemporary Art fighting the replacement of the Ludwig Museum's director belongs to this category as well. It also includes numerous authors of the volume of poems *Édes hazám* (My sweet homeland), which brought new prominence to political and civic-minded poetry, and all those rallying against the unseating of the National Theater's director. Quite a few writers and artists became activists at the oppositional mass marches. Briefly, this group is comprised of all the cultural actors who have remonstrated against the political uniformization of culture, the state-initiated shrinking of contemporary art's spaces, against the disregard for the professional application system, the politically motivated revision of the literary canon, and, most of all, against the dismal social and cultural conditions characterizing the country.³⁸

All that has been discussed above testifies to the fact that cultural buildings and institutions can be repossessed and intellectually wrecked but culture, independent of the powers that be, cannot be destroyed. The resistance movements have sharply defined the limits of the regime's scope of intervention. Recognizing this, the aim of the political family in power is not total control but the buying of political loyalty. And where this tactic does not work, the regime's aim is to isolate cultural producers and consumers from society at large, in other words, secluding them in an intellectual ghetto.³⁹

The Rise of the "Extreme Center"

The Fidesz victory of 2010 brought about the political devaluation of culture. The party's electoral base became properly cemented as the rate of Fidesz voters reached two-thirds. Legitimization via culture was no longer

necessary. On the other hand, symbolic politics gained prominence with the earlier slogan of “civic cooperation” giving way to the idea of “national togetherness.” Orbán endeavored to endear his party to Jobbik supporters by passing the Trianon Law (The Day of National Togetherness);⁴⁰ restoring the pre-1944 appearance of Kossuth Square, located in front of the parliament;⁴¹ pursuing deliberate ethnicist policies, such as the inauguration of Turul bird statues and allowing Deputy Prime Minister Zsolt Semjén’s to pompously strut on horseback in the Transylvanian town Kézdivásárhely;⁴² and, finally, renaming public plazas and streets.⁴³

If any consistent streak of the regime’s hectic cultural policies can be identified, it is the attempt to blur the difference between Fidesz and Jobbik in terms of mentality and attitudes. Whereas Fidesz declared its distance from Jobbik’s anti-Semitism, it has not stopped gesturing toward the extreme right. For instance, Fidesz conceded to certain sectoral political demands by Jobbik and launched campaigns against a number of groups such as liberal philosophers,⁴⁴ previously rebellious filmmakers, independent rights organizations, civic groups sponsored by the EEA/Norway Grants, the so-called “68ers”—allegedly leftist—creative intellectuals,⁴⁵ university students supposedly partying in “ruin pubs,”⁴⁶ as well as against independent theaters.⁴⁷ Also characteristic of this cultural policy is the granting of state awards to public figures on the extreme right;⁴⁸ the approval and even indirect support of vulgar attacks targeting the former director of the National Theater;⁴⁹ the appointment of a far-right director to a Budapest theater; or the strikingly moderate reaction to neo-Nazi football hooliganism. If the main ideological enemy of the government is the liberationist, rights-expanding spirit of the 1968 Western revolutions, one may, arguably, describe the current cultural political turn as a “cultural counterrevolution.” It is fair to state that, aside from the overt support versus the rejection of anti-Semitism, there is no culturally meaningful difference between the policies of Jobbik and Fidesz these days. The peculiarity of Hungarian cultural politics is the conscious policy of the Orbán government to please far-right voters by mainstreaming extremism. Instead of resulting in the governmental taming of Jobbik, this policy has led to the rise of an “extreme center.”

Almost everything that has taken place on behalf of this cultural political orientation has served the purpose of the centrally directed realignment of the elite and cultural life, as programmatically stated in Orbán’s speech at Kötcse, mentioned above. The colonization of autonomous institutions has aimed to expand political control over the participants of the

cultural field. For instance, the National Cultural Fund (Nemzeti Kulturális Alap [NKA]), despite its shortcomings, used to be an autonomous organization, more or less free of governmental infringement. It was the self-governing body of cultural life. It is no longer autonomous since it is now headed by a cabinet member authorized to veto the decisions of its departments, resulting in pervasive corruption.⁵⁰

With the introduction of the Hungarian Academy of Arts (MMA)—a community of right-wing artists—to the constitution and the Academy's actual coming into being, administrators were placed above the cultural actors' heads. Even the Constitutional Court domesticated by Fidesz found the manner of re-creating the MMA as an authority unconstitutional, but despite this judgment, the functionaries of the regime did not stop short of producing an irreversible state of affairs. The MMA's presence within the cultural establishments and its interference with professorial appointments in art institutions laid the ground for ideology-based censorship. The MMA runs an expensive apparatus; its charter includes the license to opine over fundamentally important questions of the art world and the arts. In addition, it is authorized to maintain budgetary organizations and operate economic associations. In the absence of vital and competent nexus with the present-day Hungarian cultural scene, the MMA can make its existence visible only in opposition to them, attempting to prove its legitimacy in the capacity of a purger. Offering no positive statements and proposals, it is bound to find its role in examining "accomplishments of Hungarianness" (*magyarságteljesítmény*), that is, in discriminating against or prohibiting rather than enabling art production. Possibly, however, the MMA will lose some of its zeal as a cultural warrior over time and will simply turn into a provider of sinecures for elderly right-wing artists.

Following the election victory of 2010, the educational and cultural ministries were eliminated and the administration of culture was reduced to one single small state secretariat under the auspices of the Ministry of National Resources (renamed in 2012 the Ministry of Human Resources).⁵¹ Orbán's strategy was to weaken the governmental representation of sectors deemed money guzzlers by merging them. The minister heading a sector is, evidently, incapable of overlooking all the broad areas belonging to him or her, yet the prime minister's goal is precisely to preclude competent, high-level representation to those areas. Hence these ministers do not fulfill the role of sectoral political leaders but serve as political executives with the task of keeping their sector in check and of transmitting the central power's

actual demands unobstructed. Next to the cultural secretariat, the parallel existence of the MMA, whose authority is warranted by its inscription in the Fundamental Law, serves the prime minister's divisive politicking. The problem is not merely the organizational realignment but the shifting approach to cultural sponsorship.

In 2010 the blocking of cultural expenditures, which elicited passionate reactions, was centrally scripted. The management of big-budget films was transplanted to the Ministry of Development, while cultural diplomacy became an area under the purview of the Ministry of Public Administration and Justice. The result was that domestic film production was paralyzed for years,⁵² the organization of film festivals came to an end, and the laws on performing arts⁵³ and the book program,⁵⁴ respectively, were revised. Archeological programs (such as research projects) were curtailed and some classical music festivals were eliminated. The rural development program,⁵⁵ cultural programs aiming at equal opportunity,⁵⁶ county-level museums, libraries and public-education networks were all axed, along with the Bureau for the Protection of Cultural Heritage, the Hungarian Book Foundation, and the Hungarian Motion Picture Public Foundation. The administration passed film-related matters over to the Hungarian National Film Fund headed by the Hollywood producer-turned-government-commissioner Andy Vajna. The Hungarian Association of Film Artists was stifled. Almost all the directors in the provincial theaters were replaced and the cultural programs of the public media became co-opted.⁵⁷ The public media themselves turned into the mills of progovernment propaganda.⁵⁸ For years, the central Media Bureau spawned by the government waged a political war couched in legal terms to kill off the last oppositional radio station, Klubrádió. Professional awards and the departments of the NKA came under central political supervision so that MMA membership and professional prizes became matters of political performance, in a way, "family business." The draining of funds from the cultural field was expedited by the dissolution of professional self-governing bodies.

Formal Positions and Informal Power

In the Orbán administration at least six officials are in charge of "culture," including the prime minister himself, who can take any particular issue under his control and interfere with decisions regarding personnel, even

when it entails overriding his cabinet members. Minister of National Resources Miklós Réthelyi, an elderly professor of medicine fitting more the profile of the first Orbán government, was replaced in 2012, halfway through his term, by the Calvinist pastor Zoltán Balog, an Orbán family friend. Rarely did cultural issues reach the ministerial level, however. It was Deputy Prime Minister Tibor Navracsics, the second man of the regime and head of the Ministry of Public Administration and Justice, who oversaw the Hungarian institutes operating abroad and ensured the unified representation of Hungarian national culture around the world. Surprisingly, Navracsics, second in command between 2010 and 2014, became a member of the European Commission led by Jean-Claude Juncker.

The Hungarian cultural administration is run by the cultural undersecretary. Four officials filled this post between 2010 and 2015, indicating an unusually high turnover. The first one, who served from 2010 to 2012, was an Orbán family friend, a poet from Transylvania whose appointment was a symbolic choice on the part of the head of state. The undersecretary's loyalty was unquestionable and, thanks to his Transylvanian descent, he personally symbolized the policy of "national unification." Furthermore, he was not likely to collide with the prime minister, who at the time was not overly engaged with cultural matters. The first undersecretary's activity, however, did not please the advisory staff, so despite a few worthy personal efforts,⁵⁹ he, in effect, assisted in dismantling culture's positions.

The second undersecretary appointed in July 2012 showed ambition, built a team, and tried to find common ground with the opposition. But the cultural community received the new apparatchik, known to use the labor of prison inmates on his country estate, with suspicion.⁶⁰ Prior to filling his post as undersecretary he had acquired the presidency of NKA in addition to his existing chairmanship of the parliament's cultural committee. In this way, he gained control over the professional boards of trustees and curtailed the NKA's autonomy. He hoped to be able to wrestle a degree of personal leverage that Orbán would tolerate in exchange for his often-voiced loyalty. This was a far cry from what happened. With the insertion of the MMA into the constitution and its generous central funding, the prime minister established a parallel decision-making apparatus that pulled the rug from under the apparatchik's feet. His demise was as quick as his rise. However, the system can always use trustworthy cadres to occupy key positions in the nomenclature. This case was no different. Even though the undersecretary failed as a cultural administrator, he resurfaced as the

undersecretary in charge of the investments in Buda Castle, a position of unparalleled importance in the nation's symbolic politics.

From 2013 two successively serving party apparatchiks filled the position of cultural undersecretary, neither of them paying lip service to high-brow intellectual concerns. They had no sectoral policy agendas of their own since, throughout their careers, their ambition was limited to the painstaking execution of their superiors' political will.⁶¹ In practical terms, the expectation from the sitting undersecretary is to smooth the path of MMA's power grab in the cultural field.

The rapid turnover of cultural undersecretaries suggests that this domain was fraught with major controversies or was difficult to manage. This was not the case. The frequent replacement of office holders indicated instead that, for Orbán, culture represents the weakest link of governance; it is a realm where changes in personnel involve no risk-taking at all. Within the system, however, the constant change in office holders signaled a downward spiral in the status of the post, so that reputed conservative intellectuals or cultural figures no longer saw the appointment as an honor, nor as a position of authority. They came to understand that there was little chance for the office holder to carry out a program of work. What has become crystal clear is that in making such appointments political trustworthiness tops any other criteria of suitability. This trend is also evident in the subjugation of the NKA discussed above. Parallel with the rise of political worthiness as the main criteria for office holding, the regime increasingly moved to spoon-feed its favored artists.

Next to the institutional state structure of cultural administration, a less formal shadow power system operates, linked to oligarchies of various sizes as well as to individuals—handpicked by Viktor Orbán—and the organizations they represent.

The magnates belonging to the first group can be distinguished from the minor ones by the fact that, as the wealthiest people in the country, they play a pivotal economic—and, if they wish, cultural—role independent of the government. For example, Sándor Csányi and Sándor Demján, two of the country's wealthiest men, established the Prima Primissima Award, which offers sizable one-time support for a cultural establishment, hence contributing to the reproduction of the status quo. The billion-strong enterprises and roles played by members of the Széles⁶² and the Vitézy⁶³ families, on the other hand, are more closely tied to Fidesz.

Among the cultural administrators of supreme importance mention must be made of the MMA's president, whose activities provoked immediate protest on the part of domestic and international art communities.⁶⁴ He declared that only those creative artists whose patriotic commitment and public performances prove them worthy of the trust of the right-leaning academic membership of the MMA could join it. Questioning the legitimacy of artistic license, he stated furthermore that "we can't be permissive with regard to artistic license propagated by a minority."⁶⁵ As a gatekeeper, the MMA's president is trying to make sure that the board filters artists based on their proper patriotic-nationalist pedigree.

Another prominent leader is the government's "propaganda" commissioner, a personal appointee of the prime minister who is "responsible for performing tasks related to the foundation of deliberate national public legal thought and, related to this, to the protection of Hungarian cultural values."⁶⁶ In charge of "symbolism," he has commissioned paintings, published literary works in luxury edition, and set the requirement there be a "table with [a hard copy] of the Fundamental Law of Hungary" placed in every government office open to the public. Before long the commissioner gained notoriety for his exclusionary and homophobic comments,⁶⁷ which would have led to losing office in any Western democratic society.

Besides the cultural gatekeeper and the "commissioner of symbolism," some other notables of cultural life are worthy of mention. Although diverse, common to them is the endeavor to maximize within a given area their personal influence, authority in the organization, and their material wealth—or a combination of all three. Let us recall the former Hollywood producer and casino owner mentioned above, or the director of the National Theater enticed by Orbán's symbolic politics and appointed by him to the position.⁶⁸ Finally, mention must be made of an influential producer-entrepreneur who gained prominence in a number of different areas simultaneously, such as movies, television, the Thália Theater, and festivals—Gábor Kálomista. The notables themselves have built up their own network of influence within Orbán's extended family. Other aspirants have not quite achieved it yet.

In sum, characteristic of this cultural administration is the setup of parallel institutional structures and the deliberate countervailing of formal positions with informal power.

A Doomed Project: The Colonization of Culture

The structure outlined above is not fully sufficient for claiming the mafia state's successful expansion and complete dominance in the cultural field. Part of the reason is that its actors resist it and, moreover the Fidesz family is not interested in culture. They simply do not attribute much significance to it.

This relative disinterest has several reasons. First, over the past decades, the cultural actors dependent on the government have got used to changing times and therefore can flexibly adjust to different regimes. These artists may be elevated as examples or granted awards, yet their political trustworthiness remains questionable. The best artists cannot be bribed. Second, culture is not easily amenable to control and can sustain its autonomy even in dictatorial times; furthermore, autonomy confers prestige. Third, being aware of this, the administration does not expect ideological agreement but is content with enjoying the artists' political loyalty. In return it offers protection and livelihoods to them. Fourth, the cultural sector is short on funding; its institutions struggle for sheer survival, which holds back those political entrepreneurs who want to grow rich fast. Culture yields little economic benefit and its political uses are indirect. Fifth, the sector, despite its modest funding, still prides itself on having many well-known opinion leaders capable of swaying the sentiment of the domestic and the international public against the government. Consequently, neither buying them nor turning against them seems politically helpful. Finally, traditional high culture has been socially devalued as fewer and fewer people read books and attend concerts and exhibitions. No governmental pressure will make people turn to the writers favored by the officialdom, especially in view of a general lack of interest in fiction.

All of the above suggests that the colonization of culture holds little immediate political value for the ruling family. Colonization cannot be completely accomplished; but even if it could, it would require a disproportionate amount of energy relative to the meager return. Governmental advisors engage in culture as a hobby. They invest their money in enterprises like the A38, a refurbished ship that has been turned into a club, art venue, and hub of progressive music, or such well-known projects as the Sziget Festival, an international annual pop/rock event held every summer in Budapest, or the Balaton Sound, one of Europe's largest open air elec-

tronic music festivals. All of these are trendy and lucrative cultural initiatives. It is certainly cool to be one of the owners of a trendy club or a music festival, so government officials buy shares in such enterprises using mafia methods of property acquisition. In these cases “national commitment” is conveniently overlooked. What matters is profiteering and recreation. It would be different if these officials actually appreciate autonomous culture for what it is, but they do not. This explains the refocusing of attention from culture to symbolic political acts.

For Orbán, culture is a tool of building a clientele and pacifying Jobbik’s adherents. He believes he could not afford to let Jobbik gain a foothold via the use of culture. And he also recognized that cultural habits mostly cultivated by the intelligentsia do not sufficiently serve the cause of “national unification.” The resulting frustration may account for the administration’s often irrationally vehement anti-intellectual attitudes. In this context culture remains a family minefield kept in a marginal position in relation to other sectors (e.g., education). Since national unification cannot be envisioned with socialists and liberals, the policy of national exclusion prevails in this sector.

Culture’s place has been taken by sports, most notably, soccer. At the time of his first administration, Orbán attended the World Cup and had no qualms about replacing the reigning leaders of the Hungarian Soccer Federation and carrying out programs to reconstruct stadiums and educate successor players. At his public appearances he was often surrounded by former sports celebrities. It was at this time that Orbán started to build a cult around former football player Ferenc Puskás, the captain of the Hungarian “Golden Team” of the 1950s.⁶⁹ It was also at this time that Pál Schmitt, a former Olympic champion and future president of the republic, popped up. Having once offered his services to the socialists, he now appeared as part of a pageant accompanying Orbán’s speeches. Even though Schmitt was defeated as Fidesz’s candidate for mayor of Budapest in fall 2002, his campaigning in sports gear was an appropriate visual representation of Orbán’s idea that “the homeland can’t be in opposition.”⁷⁰ Schmitt, however, suffered a spectacular fall as president of the republic in 2012, following the media’s revelation that his doctoral dissertation had been plagiarized. Schmitt’s toppling was the greatest success of the independent press under the Orbán regime so far.

From 2010 onward sports policies have grown several orders of magnitude in significance. While the educational, cultural, and health-care

budgets were curtailed, the Hungarian Olympics Committee received major funding from the state, and companies sponsoring spectator sports enjoyed tax credits. Orbán had built soccer stadiums on taxpayers' money and offered state subsidies to support soccer academies, including the Puskás Akadémia of Felcsút, his personal pet project. Despite this, attendance at the games is low because sports fans are only moderately attracted to Hungarian soccer, which they know is steeped in corruption. The participants in massive demonstrations in Budapest against the planned imposition of an Internet tax drew a parallel between that and the subsidizing of stadium buildings, suggesting that such wasteful spending is irreconcilable with the needs of modern Hungary.⁷¹

In a speech Orbán claimed that sports must be seen as part of culture.⁷² Less supportive of amateur and leisure sports, which may readily be interpreted within a cultural framework, he specifically privileged elite sports on the assumption that only success achieved there, especially in soccer, can be "sold" to the masses through symbolic politics.

This attitude sent the clear message that Orbán's ambition is not to befriend the nation's actors and actresses but rather its magnates—at least those of them sponsoring Hungarian football. The age-old political maxim "*panem et circenses*" may most effectively be put to practice not by books, movies, and drama performances but spectator sports from whose representatives Orbán expects the espousal of his policies to solidify Hungary's traditional national identity. According to the mastermind of the "System of National Cooperation," the mission of the national bourgeoisie linked to Fidesz as a political family is no longer the subsidy of culture but instead the legitimation of the power strategy of "national unification" through symbolic means. The green lawn of stadiums appears to Orbán as a more suitable terrain to reach this goal than any theatrical stage.

The Orbán regime established that nationalist cultural policy is one that serves the increasingly autocratic regimes's symbolic politics by simplifying and homogenizing culture, strengthening an ethnicity-based national identity, "unifying the nation" along the lowest common cultural denominators, and maintaining its enemy-seeking militant spirit while, at the same time, protecting the illiberal status quo of the power structure.

NOTES

- ¹ Carl Schmitt, *A politikai fogalma* [The concept of the political] (Budapest: Osiris-Pallas-Attraktor, 2002 [1932]), 26.
- ² This does not always entail abandoning the democratic system but rather shrugging off its liberal components. See Jan Pakulski and András Körösenyi, *Toward Leader Democracy* (London: Anthem Press, 2012). In most cases, however, these forms represent a transition between democracy and autocracy.
- ³ György Fekete, "Fütyülök erre a demokráciára" [I don't care a damn about this democracy], *Index*, November 30, 2012, http://index.hu/video/2012/11/30/futyulok_erre_a_demokraciara/. Formerly a right-wing private society, the Hungarian Academy of Arts is now a cultural client organization inscribed into the Fundamental Law by the Orbán regime.
- ⁴ For interpretations of the "postrepublican" Fundamental Law, see Miklós Gáspár Tamás, "Az új alkotmány történelmi jelentősége" [The historical significance of the new constitution], *Népszabadság*, 29 March 2011, and Zoltán Fleck et al., "Vélemény Magyarország Alaptörvényéről" [An opinion about Hungary's Fundamental Law], *Élet és Irodalom* supplement, July 2011.
- ⁵ See Szilvia Nagy, "Eltemetett demokrácia: Interjú Vörös Imrével" [Buried democracy: Interview with Imre Vörös], *Vasárnapi Hírek*, 25 November 2012; and Nóra Diószegi-Horváth "Alkotmányos jogunk törvényt szegni?" Interjú Vörös Imrével" ["Is it our constitutional right to break the law?" Interview with Imre Vörös], *Vasárnapi Hírek*, 26 October 2014.
- ⁶ In more depth on this subject, see Umut Korkut, *Liberalization Challenges in Hungary: Elitism, Progressivism, and Populism* (New York: Palgrave Macmillan, 2012), 168–77.
- ⁷ Viktor Orbán, "Minden magyar a turulba születik" [All Hungarians are born under the turul bird], *Népszabadság*, 29 September 2012.
- ⁸ For a more detailed discussion, see András Bozóki, "A magyar demokrácia válsága" [The crisis of Hungarian democracy], *Élet és Irodalom*, 13 January 2012, and *Virtuális köztársaság* [Virtual republic] (Budapest: Gondolat, 2012).
- ⁹ For a more in-depth discussion on the role of the "indispensable" and the "influential," see Bruce Bueno de Mesquita and Alastair Smith, *The Dictator's Handbook: Why Bad Behavior Is Almost Always Good Politic*. (New York: Public Affairs, 2011).
- ¹⁰ Eszter Rádai, "A posztkommunista maffiaállam: Interjú Magyar Bálinttal" [The post-communist mafia state: Interview with Bálint Magyar], *Élet és Irodalom*, 14 June 2013. The concept introduced by Magyar shares a number of traits with the neopatrimonial and sultanistic regimes as well as hybrid systems, but it is not identical with any of them. See Shmuel N. Eisenstadt, *Traditional Patrimonialism and Modern Neopatrimonialism* (Beverly Hills: Sage, 1973); Ulf Engel and Gero Erdmann, "Neopatrimonialism Reconsidered: Critical Review and Elaboration of an Elusive Concept," *Commonwealth & Comparative Politics* 45.1 (2007): 95–119; H. E. Chehabi and Juan J. Linz, eds., *Sultanistic Regimes* (Baltimore:

Johns Hopkins University Press, 1998); Steven Levitsky and Lucan A. Way, *Competitive Authoritarianism: Hybrid Regimes after the Cold War* (New York: Cambridge University Press, 2010). As for Hungarian approaches, János Kornai uses the concept of autocracy: “Számvetés” [Taking stock], *Népszabadság*, 6 January 2011; and Ferenc Pataki describes the post-2010 Fidesz rule as a “neo-Bolshevik party state” in his book *Hosszú menetelés: A Fidesz-jelenség* [The long march: The Fidesz phenomenon] (Budapest: Noran Libro, 2013). See also an interview with Pataki by Ernő Kardos: “A vezér mindent kézben tart” [The chief keeps everything under control], *Élet és Irodalom*, 26 July 2013. The sociologist Erzsébet Szalai distinguishes between two phases of capitalism in Hungary, arguing that the “laissez-faire” system of the period between 1989 and 2010 was replaced by “semi-dictatorial neocapitalism” after 2010. See “Két kapitalizmus Magyarországon” [Two capitalisms in Hungary], *Élet és Irodalom*, 14 March 2013.

- ¹¹ The speech, considered memorable in the history of Hungarian political history, was held in a small village named Kötcse. Viktor Orbán, “Megőrizni a létezés magyar minőségét” [Retaining the Hungarian qualities of living], Fidesz website, 17 February 2010, <http://www.fidesz.hu/hirek/2010-02-17/meg337rizni-a-letezes-magyar-min337seget/>.
- ¹² Ibid.
- ¹³ Cited in Gizella Nyíró, “Orbán Viktor: korszakváltás kell a sikeres nemzeti politikához,” *Dehir.hu*, 23 July 2011, <http://www.dehir.hu/belfold/orban-viktor-korszakvaltas-kell/2011/07/23/>.
- ¹⁴ Miklós Horthy was the authoritarian governor of Hungary between 1920 and 1944. János Kádár was the communist leader of Hungary between 1956 and 1988.
- ¹⁵ See János Kornai, “Központosítás és kapitalista piacgazdaság” [Centralization and capitalist market economy], *Népszabadság*, 28 January 2012.
- ¹⁶ Some analysts claim, however, that the regime embraces relatively coherent ideological contents similar to fascism and national socialism. Cf. Rudolf Ungváry: *A láthatatlan valóság: A fasisztoid mutáció a mai Magyarországon* [The invisible reality: Transmuted fascism in contemporary Hungary] (Bratislava: Kalligram, 2014).
- ¹⁷ “Lázár szerint akinek nincs semmije, az annyit is ér” [In Lázár’s view, the one who possesses nothing is only worth that much], *Index*, 19 March 2011.
- ¹⁸ Max Weber, *Basic Concepts of Sociology* (Westport: Greenwood Press, 1969).
- ¹⁹ After a governmental session held in a castle at Fertőd located in western Hungary on 22 June 2013, Orbán averred that this visit represented a plebeian government’s paying tribute to the aristocracy’s accomplishment. “Orbán: Egy plebejus kormány tiszteleg a magyar arisztokrácia előtt” [Orbán: A plebeian government pays respect to the Hungarian aristocracy], *mno.hu*, 19 June 2013, <http://mno.hu/belfold/orban-egy-plebejus-kormany-tiszteleg-a-magyar-arisztokracia-elott-1167668>.
- ²⁰ This might change, however. In early 2015, Orbán’s long-time friend and associate, the pro-Fidesz oligarch Lajos Simicska, criticized the prime minister heavily. As a boss, Orbán aimed to terminate Simicska’s exceptionally strong influence on governance to keep power under his own exclusive control.

- ²¹ The expression, loosely cited here, was originally coined by the classic poet Attila József in his poem "Hazám" [My homeland], where he decries the prevailing atmosphere of fear in the Horthy era. Translated by Sándor Kerekes. See "Attila József's 'My Homeland' Translated by Sándor Kerekes," *Hungarian Spectrum*, 3 January 2015, <https://hungarianspectrum.wordpress.com/2015/01/03/attila-jozsefs-my-homeland-translated-by-sandor-kerekes/>.
- ²² In his speech at Tusnádfürdő in August 2005 Orbán put it in this way: "[W]henever the left had a chance, they struck at their own nation. This is how Béla Kun and his comrades assaulted their own people in 1919 and this is how Rákosi and his pals struck down at their own kin. Their modern counterparts repeated it in 1956 as they struck down at the revolution. Although less militant, December 5 [of 2004], too, represented a governmental attack at the nation of their own." <http://www.nol.hu/archivum/archiv-371110>.
- ²³ In the civic circle called "Alliance for the Nation," Orbán was politicking with the then fledgling Gábor Vona, the later president of Jobbik, itself sprouted from the confluence of civic circles initiated by Orbán and the radical right-wing university youth.
- ²⁴ The ranks of these media were later joined by the right-wing Echo TV, Chain Bridge Radio, and free newspapers such as *Helyi Téma* and *Metropol*.
- ²⁵ For an elucidation of "*Kulturkampf*," see Sándor Radnóti's lecture titled "There's No *Kulturkampf*" delivered at a session of the István Bibó Society (Bibó István Társaság) on 8 April 2011, available on YouTube (<http://www.youtube.com/watch?v=l75qYJcXVxU>), and Máté Nyusztay, "Kultúrharca, avagy a politikai eunuchok uralma" [*Kulturkampf*, or the rule of political eunuchs], *Népszabadság*, 11 April 2013.
- ²⁶ Orbán, "Megőrizni a létezés magyar minőségét."
- ²⁷ "There shall be peace, liberty, and agreement." The parliament's political declaration about national cooperation. 1/2010 (June 16). www.kormany.hu.
- ²⁸ National Avowal, in the Fundamental Law of Hungary. *Magyar Közlöny* 43, 25 April 2011. www.kormany.hu.
- ²⁹ For more on this issue, see Péter Bajomi-Lázár et al., "A kulturális szféra helyzete Magyarországon" [The situation of the cultural sector in Hungary], *Beszélő*, July 2013, <http://beszelo.c3.hu/onlinecikk/a-kulturalis-szfera-helyzete-magyarorszagon>.
- ³⁰ For a more in-depth discussion, see Julianna P. Szűcs, "Mi a magyar kép? Hősök, királyok, szentek" [What is a Hungarian image? Heroes, kings, and saints], *Holmi*, August 2012, <http://www.holmi.org/2012/08/p-szucs-julianna-mi-a-magyar-kep-hosok-kiralyok-szentek-a-magyar-tortenelem-kepei-es-emlekei>.
- ³¹ On Ádám Horváth's speedy acquittal and the appointment of former editor of *Hír TV*, Szilveszter Ókovács, see Hajnalka Joó, "Átnyúlt az Opera-ütközetbe belefáradt minisztere felett Orbán" [Orbán reached over the head of his minister, exhausted in the battle over opera, *Origo*, 25 August 2011, <http://www.origo.hu/itthon/20110825-hatter-az-operahaz-uj-vezetojenek-kinevezesehez.html>.
- ³² Csaba Kalmár, "Milyen évet írunk, hogy ilyen megtörténhet?" Interjú Alföldi Róberttel" ["What year is it, that this could happen?" Interview with Róbert

- Alföldi], *Origo*, 4 September 2013, <http://www.origo.hu/teve/20130904-alfoldi-robert-interju-istvan-a-kiraly-x-faktor.html>.
- ³³ Gábor Bóta, “‘A Nemzeti Színház felszentelése’: Interjú Vidnyánszky Attilával” [“The consecration of the National Theater”: Interview with Attila Vidnyánszky], *Pesti Műsor Online*, February 2013, <http://www.pm.hu/index.php?sect=szinhaz&alsect=cikk&id=5674>.
- ³⁴ See Alexandra Kozár, “‘Nincs mézesmadzag, csak ostor’: Interjú Heller Ágnessel. [“No carrots but sticks”: Interview with Ágnes Heller], *Népszabadság*, 27 November 2011. http://nol.hu.lap/hetvege/20111127-nincs_mezesmadzag_csak_ostor.
- ³⁵ For more on this, see Bajomi-Lázár et al., “A kulturális szféra helyzete Magyarországon.”
- ³⁶ On this, see writings by the head of *Kréta*kör, Árpád Schilling, e.g., “Tessék politizálni!” [Please, get political!], *Élet és Irodalom*, 14 December 2012, or “A kultúra válsága” [The crisis of culture], *Élet és Irodalom*, 4 January 2013.
- ³⁷ Péter Hamvay, “A Műcsarnok elrablása” [The filching of the Hall of Art], *Élet és Irodalom*, 23 November 2012.
- ³⁸ See, for instance the following accounts in: http://fidelio.hu/kiallitas/hirek/mucsarnok_kulturpuccs_konferencia_2012; http://fidelio.hu/kiallitas/hirek/tiltakozas_a_ludwig_muzeum_igazgatoi_palyazata_kapcsan; <http://nemma.noblogs.org/2013/02/01/tiltakozas-a-magyar-muveszeti-akademia-jogkoreinek-bovitese-ellen/>; http://fidelio.hu/szinhaz/hirek/veget_ert_az_Alfoldi-korszak. Also see Tibor Bárány, ed., *Édes hazám* [My sweet homeland] (Budapest: Magvető, 2012), and András Király’s series of pictures *Atelier populaire* (2012–13).
- ³⁹ The exhibition venues for contemporary art have decreased in number, as for instance, the Ernst Museum has been replaced with a permanent exhibit dedicated to displaying Robert Capa’s works.
- ⁴⁰ On the Day of National Togetherness, see “A nemzeti összetartozás napja,” *Wikipédia*, http://hu.wikipedia.org/wiki/A_nemzeti_osszetartozas_napja; the song of national togetherness is available on YouTube (<https://www.youtube.com/watch?v=EjsuizQ-wi0>).
- ⁴¹ “Átépítik a Kossuth teret: nem lesznek autók, csak villamos” [Reconstruction of Kossuth square: no cars, only tram], *hvg.hu*, 26 February 2012, http://hvg.hu/itthon/20120226_kossuth_ter_atepites. The essential ideological goal of the rebuilding was to reconstruct the 1944 look of the Kossuth Square of Budapest. The equestrian statue of the conservative István Tisza took the place of the left-wing Mihály Károlyi for, according to the Fundamental Law approved exclusively by Fidesz, the continuity of Hungarian history was broken by the era between 19 March 1944 and 2 May 1990 because Hungary was under foreign occupation over those decades. Consequently, in terms of public law, this time period is annulled.
- ⁴² On Christian Democratic deputy prime minister Zsolt Semjén’s marching into Transylvania on a horseback, see “Semjén Zsolt lóháton vonult be” [Zsolt Semjén marched on a horseback], *Index.hu*, 15 March 2013, <http://index.hu/kulfold/2013/03/15/semjen-zsolt-lohaton-vonult-be/>.

- ⁴³ On the campaign-like renaming of streets in the spring of 2013, see <http://www.stop.hu/belfold/utcanek-az-mta-allast-foglal-a-felelosseget-haritja/1144949/>.
- ⁴⁴ On the intellectual pogrom directed against philosophers, see Júlia Lévai, "A filozófusper politikai támadás" [The suit against the philosophers is a political attack], *Galamus*, 12 January 2011, <http://www.galamuscsoport.hu/tartalom/cikk/47096>.
- ⁴⁵ On the campaign against the "68ers," see András Ferenczi, "Kik azok a 68-asok és miért nem bírja őket Viktor Orbán?" [Who are the 68ers and why can't Orbán suffer them?], *Origo*, 18 October 2012, <http://www.origo.hu/itthon/20121018-kik-azok-a-hatvannyolcasok-es-miert-harcol-ellenuk-orban-viktor.html>.
- ⁴⁶ On the "university students of the ruin pubs," see "Mi baja Orbánnak a 'romkocsmák félhomályában üldögélő' egyetemistákkal?" [What is Orbán's problem with the university students 'hanging out in gloomy ruin pubs'?] *hvg.hu*, 26 June 2012, http://hvg.hu/napi_merites/20120626_romkocsmak_nepe_orban_szerint.
- ⁴⁷ On the predicament of independent theaters, see Barna Szász, "Egy éve ingyen dolgoznak a független színházak" [For a year now, independent theaters have been working for free], *Index*, 21 November 2012, http://index.hu/kultur/2012/11/21/kicsinaljak_a_fuggetlen_szin hazakat/.
- ⁴⁸ Having gained notoriety for his anti-Semitic comments, Ferenc Szaniszló, a reporter from Echo TV, received an award from Minister of Human Resources Zoltán Balog on 14 March 2013. In response to domestic and international protests, Balog pressed Szaniszló to return the award. http://index.hu/kultur/media/2013/03/14/szaniszlo_tiltakozas/.
- ⁴⁹ While the minister and the cultural undersecretary defended Alföldi from Jobbik's invectives, the political undersecretary of the ministry expressed his agreement in parliament with them in answering to an interpellation demanding the director's removal with the following promise: "We will take care of the problem you have raised." Péter Hamvai, "Boncasztalon a Magyar ünnep" [The Hungarian holiday on the dissection table], *Népszava*, 23 November 2010.
- ⁵⁰ The first president of NCF after 2010 was taken to task because of his allegedly excessive liberalism. After him the position was only filled by politicians: first, by the chair of the parliament's cultural and press committee followed, second, by the undersecretary, and, finally, by the minister of human resources.
- ⁵¹ The NMR (later: MHR) encompasses five areas headed by undersecretaries: health care, social benefits, education, culture, and sports.
- ⁵² On this issue, see György Báron, "Röpirat a magyar filmművészet ügyében" [Pamphlet on the predicament of Hungarian cinema], *Élet és Irodalom*, 1 February 2013, and Zoltán Kamondi, "Filmélet—filmhalál (?) Magyarországon" [The life and death (?) of film], *Élet és Irodalom*, 3 May 2013.
- ⁵³ The Law on Performing Art can be accessed at http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A0800099.TV.
- ⁵⁴ On the Márai Program, see <http://www.mkke.hu/news.php?cmd=showNews&id=77>.
- ⁵⁵ On the Public Heritage Program, see <http://www.vg.hu/kozelet/tarsadalom/indul-a-kozkinsc-program-84134>.

- ⁵⁶ On the Program of National Contemporary Popular Music Culture, see <http://hu.wikipedia.org/wiki/PANKKK>.
- ⁵⁷ In more detail, see Rudolf Ungváry, "A médiaszabályozás aljassága" [The ignominy of media regulation], *Élet és Irodalom*, 24 May 2013.
- ⁵⁸ On all of this, see Péter Agárdi's surveys such as "A kultúra végkiárusítása" [The sellout of culture], in *Kisiklott forradalom* [A derailed revolution], ed. Péter Szeredi and Viktor Szigetvári (Budapest: József Attila Alapítvány, 2012), 255–80.; "Nemzeti' kurzus a nemzeti kultúra ellen" [A "national" course against national culture], in *Forradalom volt? Tanulmánykötet a második Orbán-kormány harmadik évéről* [Was it a revolution? Studies on the second Orbán government's third year], ed. Péter Szeredi (Budapest: József Attila Alapítvány, 2013), 366–400.
- ⁵⁹ The first undersecretary in this line was Géza Szöcs, who renamed the Budapest Airport after the famous composer Ferenc Liszt and initiated the construction of the Hungarian National Digital Archives and Film Institute. After being sacked, he received a prestigious award for his achievements as a poet. At that time Szöcs was not independent—he was employed by the Prime Minister's Office. http://index.hu/kultur/2013/03/14/szocs_geza_kael_csaba_es_szaniszlo_ferenc_is_allami_kituntetetest_kapott/.
- ⁶⁰ The second cultural undersecretary, László L. Simon, had a vineyard where prison inmates were working for him for low pay. Orbán paid a visit there and had some conversations with the prisoners. This scene was strikingly similar either to the situation of the countryside in the interwar Horthy era or to movie scenes by Quentin Tarantino. Simon immediately lost his credibility in the eyes of the educated public. Cf. Péter Hamvay, "A hetvenkedő katona" [The proud soldier], *Élet és Irodalom*, 18 January 2013.
- ⁶¹ The following cultural undersecretaries were János Halász (2013–14) and Péter Hoppál (since 2014).
- ⁶² Pro-Fidesz magnate Gábor Széles owns the far-right newspaper *Magyar Hírlap* and the television channel Echo TV. Two of his relatives run countryside theaters.
- ⁶³ Another pro-Fidesz magnate, Tamás Vitézy, was running the free, progovernment tabloid *Helyi Téma*. His relatives occupied key positions in the area of culture.
- ⁶⁴ György Fekete, president of HAA, provoked international protest by his biased views voiced in interviews and his activities. http://index.hu/kultur/2013/05/06/nemzetkozi_tiltakozas_a_muveszeti_akademia_ellen.<AU:Pls provide full citation>
- ⁶⁵ Fekete stated that the renowned Hungarian writer of Jewish descent, György Konrád, "causes a lot of harm to Hungarian culture because he looks like a Hungarian for foreigners." Despite this anti-Semitic statement, Fekete's position as leader of HAA was unchallenged.
- ⁶⁶ On this position and its incumbent, Imre Kerényi, see http://hu.wikipedia.org/wiki/Kerenyi_Imre.
- ⁶⁷ In a public forum, Kerényi stated that Attila Vidnyánszky, the new director of the National Theater, "would know what his duty would be" and "will create a National Theater which will be just as successful as it was under Róbert Alföldi's

leadership, except for the gays—it'll be dedicated to love and friendship." Again, this homophobic statement did not in the least jeopardize Fekete's job as advisor to the prime minister. http://index.hu/kultur/media/2013/05/28/ujsagirok_tiltakoznak_kerenyi_buzizasa_ellen/.

- ⁶⁸ On Attila Vidnyánszky see Gábor Turi, "A Vidnyánszky-saga," [The Saga of Vidnyánszky], *Élet és Irodalom*, 8 February 2013.
- ⁶⁹ Orbán established a relationship with the late Ferenc Puskás. After his death at 2005, Puskás was buried in the Basilica in Budapest.
- ⁷⁰ Viktor Orbán, "A haza nem lehet ellenzékben" [The homeland cannot be in opposition], <http://2001-2006.orbanviktor.hu/hir.php?aktmenu=2&id=1159>.
- ⁷¹ Protests against the planned Internet tax by the Orbán government during the fall of 2014 created international attention. Protesters represented a different Hungary than the one represented by the more traditionalist government. Characteristically, the cabinet argued that the Internet tax would have contributed to the raising of the salaries of the police forces.
- ⁷² As he formulated it, "Football is part of culture, therefore it requires special regulations. It was a mistake to consider that an economic activity." <http://www.origo.hu/sport/magyarfoci/20130804-orban-viktor-evertetekeloje-a-magyar-futballrol.html>.

Mária Vászárhelyi

The Workings of the Media: A Brainwashing and Money-Laundering Mechanism

If we subscribe to the tenet that a diversely informed public opinion that makes decisions on the fate of the political community forms the basis of democracy, then we can confidently say that the fundamental elements of democratic operation are absent in Hungary. The media landscape, as it stands today, clearly hinders the formation of a thoroughly informed public opinion. One of key principles of the 1989 political changeover was to dismantle the information monopoly controlled by the regime. A quarter century after the fall of communism, Hungary is once again just a tiny step away from having a new, insulated **media monopoly entirely serving the interests and satisfying the expectations of the ruling power**. The findings of a public opinion poll conducted among the adult population in dictatorship-era 1986¹ reveal that 28% of the population regularly or sometimes tunes in to a foreign “hostile” radio station—Radio Free Europe, BBC, Voice of America, etc. Currently, not even half this ratio get their information from alternative news sources not directly or indirectly controlled by the government.

Viktor Orbán first experienced the harsh reality of falling from grace in the eyes of the media on the night following the electoral defeat of the Fidesz Party in 1994. The eulogizing media attention that surrounded his party during the first years after the political changeover, which had propelled Fidesz to the top of popularity rankings and slated it as the sure-fire winner by the middle of the cycle, quickly dissipated after the party headquarters case, and on the eve of the elections ending in embarrassing defeat for the party, as press conferences were being held at all party headquarters,

Orbán was sitting alone in his room in Lendvay Street. It is perhaps at this juncture that he decided that should his political career survive, he would become the draconian ruler of the media, instead of its sweetheart. The fact that the media is pivotal not only in acquiring and securing power, but also in diverting public funds to private pockets may have also become clear to the student hall residents that went on to comprise the party's circle of economic allies during this first cycle. Armed with this experience and knowledge, Fidesz had already undertaken the construction of its media policy during the Horn administration of 1994–98. The role Fidesz assumed in passing the 1996 media law and the scandalous tender award procedure conducted for the two commercial television concessions already outlined Fidesz's media policy, which was anything but liberal and democratic. In 1996 they played a pivotal role in the parliament passing a fundamentally antiliberal and antidemocratic media law that paved the way for the distorted and corrupt development of the media market, molded to serve the interests of partisan politics. Likewise, the party had a major role in the outcome of the tender award procedure for the two national commercial television spectrums, which reeked of corruption, and saw the professionally and financially soundest tender be swept aside merely because both Fidesz and the socialist MSZP Party had associated the tender with liberal interest groups close to the SZDSZ Party. The decision on the distribution of spectrum was shaped by this conspiracy theory. As a result, one spectrum was obtained by a bidder—RTL Klub—whose tender should have been dismissed from the start on grounds of conflict of interest, as later confirmed by a binding court ruling, while the other winner was TV2, whose economic background was wholly opaque and which submitted a professionally questionable tender. This decision defined the standard of Hungarian commercial television for decades. In reality the adoption of the media law and the outcome of the spectrum tenders was the final rehearsal of the background dealings between MSZP and Fidesz that shaped the media until 2010, driven by a shared fear of the common enemy: the independent, liberal media. In order to understand how the media market could collapse so rapidly, in less than a year, and become putty in the hands of Fidesz—a **brain-washing and money-laundering contraption, a tool for party propaganda and the diversion of taxpayer forints to private bank accounts**, the leading facility for creating and running the central power field—we must take a retrospective look at the birth of pluralistic media.

It is no coincidence that after gaining power in 1998, the party's most pressing task was **to create so-called media balance**. As discussed in greater

detail below, once it had acceded to power, Fidesz had no qualms about resorting to any means necessary, ranging from political cleansing within public media, blackmail, threats, and the construction of party media using public funds to strengthen its grip on the media. The foundations of the right-wing media empire laid by 2002 was bolstered using public funding between 2002 and 2010 during the socialist-liberal coalition, while the political and economic positions of the left-wing liberal media experienced a continuous decline. The media empire was built using **private and public funds**. While the godfathers² of the two big parties, the socialist MSZP Party and Fidesz, shared public funds in a 70:30 split, as revealed by MDF politician Ibolya Dávid, funneling billions into building Fidesz's media background, Fideszist entrepreneurs were not afraid of making substantial financial sacrifices to build their media empire. The far-right *Magyar Hírlap* and Echo TV run by Gábor Széles, or the *Helyi Téma* paper published by Tamás Vitézy's company all bled hundreds of millions of forints. The figures that have grown to become the biggest media oligarchs since the change of government (Zoltán Spéder, István Töröcskei, and the group of entrepreneurs linked to Lajos Simicska, in addition to those mentioned earlier) had also invested their personal wealth into laying the foundations of the media empire. The entrepreneurs made these sacrifices in the hope of benefits to be realized in the long run in other walks of business life once Fidesz's electoral victory had become certain, and in which they no doubt played a role.

By the time of the change of government in 2010, a well-structured media empire addressing a broad range of citizens, **from the far right to the undecided at the center** of the political spectrum and functioning as the party's executor, was challenged by an economically shaky, faltering left-wing and liberal media constantly plagued by insufficient funding. The earlier left-wing liberal predominance in media, typical of democratic media, fell apart in Hungary prior to 2010. During the 2010 elections, the right and far-right media controlled by Fidesz already far outweighed its opponents within political media, while the majority of key political positions within public media gradually slipped into the right's hands.

After 2010, the ruling party's media policy focus was to solidify the foundations of the media empire it had built, the fully insulated siphoning off of state advertising revenues, the occupation of top positions on the media market, the total political and economic occupation of public media, and the drying out of funding for the left-leaning and liberal media. To allow the emergence of the central power field, autonomous media had to

be replaced by a loyal propaganda machine serving party interests, and the mechanism capable of channeling funds into Fidesz's media empire.

Undoubtedly, the ruling power executed its task flawlessly. As a result of the new media law, the media bodies filled with party commissars, the total occupation of public media, the dense and opaque ivy made up of Fideszist media oligarchs and surrounding the entire media market and swallowing up money, the blackmailing and threatening of commercial media outlets, the quarantine of left-wing liberal media and the drying up of their operating funding, in the period leading up to the 2014 elections **the media was filled exclusively with strongly filtered messages, the sole source of information for over 80% of the Hungarian population.** A world constructed by Fidesz, far removed from reality, is being conveyed not only through the media ownership structure, the quantitative proportions of public affairs coverage, and the primary content of the news, but also in its metacommunication and hidden messages. A strong, successful, popular, and cooperative government with a human face fighting for the country's sovereignty and rise, bearing up against a losing, bickering, fraudulent opposition ignorant of the country's fate.

The media market, already faltering for some time, has completely fallen apart in its current state. The flow of both public and private funds on the advertising market is overseen by Fideszist oligarchs. And if an entrepreneur ponders throwing a lifeline to left-wing liberal media outlets, he or she soon gets a warning of the high price to pay for this endeavor, as the state has the power to keep anyone at bay in a market and in a country as small as Hungary. Fideszist oligarchs are now not only the exclusive suppliers of shows to state television, the unscrupulous winners of all public procurement tenders on the media market, the swallows of all state institution and company advertising, but also **occupy all key positions on the media and advertising market, from production to advertising placement, through the ownership of advertising space.**

A Case Study of Negatives: The Political and Economic Monopolization of the Radio Market

The events that have unfolded on the radio market perfectly illustrate the model employed by the Fidesz government that gained power in 2010 to put pressure on the media market and which is gradually eroding pluralistic

media and giving rise to an information monopoly. To implement its plans, it uses both legislative and executive means, subjecting them to party considerations, and a host of tools applying administrative, political, and economic pressure to market players.

Why Radio?

The reason why the radio market is the most vulnerable among commercial media to manipulation by the ruling power lies in the fact that the Media Council, comprising members delegated by ruling parties, is now only able to apply its methods in this domain through the allocation of spectrum. As analogue television broadcasting was ended by late 2013, the former state monopoly over frequency allocation in television lost its significance. The state now wields power only over the radio market, deciding who broadcasts, where and what through analogue terrestrial spectrum. The state is making most of this opportunity.

The structure and functioning of the radio market has radically changed over the past five years. The restructuring began with the corruption surrounding the tenders for the two national commercial frequencies, which sparked an international scandal that remains unresolved to date.

In 1997, following the enactment of the media law, the National Radio and Television Commission (ORTT), the predecessor to the current National Media and Infocommunications Authority (NMHH) announced tenders for the two national commercial radio frequencies. The two winners, *Sláger* and *Danubius Rádió*, began broadcasting with a primarily musical profile, but with different offerings. *Sláger Rádió* targeted a middle-aged and older audience with hits from the 1960s and 1970s, while *Danubius* mainly targeted under-40s. This implicit market segmentation proved successful, with both stations finding their target audience and achieving profitable operation. *Sláger Rádió* attained slightly higher listenership figures compared to its competitors, but *Danubius's* audience was more valuable in terms of the market.

Although radio accounts for the smallest slice of the advertising market pie, the low investment needed and high audience figures were guarantees for relatively stable operation until 2007. These economic circumstances and the opportunity to siphon off public funds through state advertising spending made the two key protagonists of the radio market attractive targets for political parties. The national commercial radio

spectrum licenses expired in 2009, but the national assembly decided, with a two-thirds majority, to extend Sláger's and Danubius's spectrum licenses until the digital switchover in 2012. Although the implicit agreement received much professional criticism, and rightly so, this routinely corrupt deal now appears like the lesser of two evils, as what happened after—besides the distribution of commercial television spectrum—was the most unscrupulous and most detrimental direct political intervention in the Hungarian media market. President of the Republic László Sólyom refused to ratify the bill enabling the extension of the spectrum licenses without a tender procedure, citing the legitimate argument that it would proffer disproportionate advantages for the incumbent broadcasters, and the extension of their contracts without a tender is in violation of the Constitutional Court's resolutions on the freedom of radio and television, while also breaching the constitutional principles of freedom of opinion and equal opportunities. The extension of their contracts without a tender also presumably created substantial lost revenue for the budget, as the sums market protagonists would have been willing to pay for the spectrum licenses were not even revealed. In the wake of the Constitutional Court's decision, the ORTT had no choice but to announce a new tender for the national spectrums. Although prior to the announcement of the new tender, ORTT member delegated by Fidesz, Annamária Szalai, who was appointed as the president of the media authority with unlimited powers following the 2010 change of government, proposed quite a few fairly impossible recommendations (for instance, to award Sláger Rádió's spectrum to the public service radio Kossuth Rádió) and who continued to voice her concerns regarding the procedure after the tender was completed, the outcome of the tender made it clear that MSZP and Fidesz had struck a deal before the final decision. This is because they had realized that **radio broadcasting was one of the most easily operated slot machines, and directing public administrative and public company advertisements to this segment** could be a simple way of diverting public funds to party and private pockets. After this realization, a consortium clearly associated with the Socialist Party and Fidesz won the tender for the spectrums. The winning tenderers pledged broadcasting fees that were clearly unattainable, amounting to 50 and 55% of their total sales revenue, but there was no doubt in anybody's mind that the deal would consist of the media authority gradually reducing these fees through subsequent contract amendments. The unrealistically high rate of the amount pledged is well illustrated by

the fact that the profitable stations broadcasting on the spectrum had paid 10–15% of their sales revenue in the previous years. In addition, the tender submitted by Fidesz favorite Class FM, granting it the spectrum used by Danubius, should have been barred from the procedure on grounds of conflict of interest in terms of ownership, as stressed by the expert panel preparing the decision and later confirmed by the court. The owner of the company operating Class FM, Advenio Zrt., was the same Zsolt Nyerges who had multiple joint media ventures with Lajos Simicska and was best known as being the chairman of Simicska's construction company, KÖZGÉP, which also held a controlling stake in Lánchíd Rádió. The tender notice clearly prohibited any owner already broadcasting on another frequency from applying for the national spectrum. Meanwhile, the preparatory panel assessed Neo FM's tender as being professionally unsound. As a result of the clearly corrupt deal—the announcement of the tender outcome on 28 October 2009 sparked a huge scandal both in Hungary and internationally—ORTT chairman László Majtényi resigned, and the owners of Sláger and Danubius, left high and dry, sought out a Hungarian, and later an international arbitration court.

The guiding principle of the deal was presumably the 70:30 ratio mentioned by Ibolya Dávid, leader of the MDF Party, with the diverted public funds distributed in this proportion between the ruling and the opposition party. This is what may have enabled the tenderer linked to the ruling MSZP Party to acquire the more valuable spectrum used by Sláger Rádió and the tenderer associated with Fidesz to acquire the spectrum used by Danubius. And although it was clear at this juncture that Fidesz would win the upcoming elections by a landslide, MSZP still believed that the splitting of revenues that had become habitual since the political changeover would remain unchanged, with the Socialist Party getting its 30% cut. This turned out to be a false hope. The new owners started broadcasting a few weeks later, using the profiles of Sláger and Danubius, and keeping some of the most popular shows and hosts. **It was not long before the media authority slashed the broadcasting fees to be paid by the two tenderers for the spectrum.**

Nyerges Takes It All

Radio stations were the hardest hit among media market players by the 2008 crisis. By 2009 the radio market players closed up shop one after the other, and incomes fell almost 50%, which was a hard blow to all market

players. Politics had managed to definitively dismantle this crumbling market after the change of government.

In the wake of Fidesz's 2010 two-thirds electoral majority, the deal struck between the two parties on the use of spectrum was overturned. **Class FM, owned by Zsolt Nyerges, was inundated with advertising orders from state companies**, getting two-thirds of the government's radio advertising budget, while Neo FM, associated with the Socialist Party, saw its advertising revenues continuously dwindle, quickly pushing it to the edge of insolvency.³ The biggest public sector advertiser, the national gambling monopoly Szerencsejáték Zrt., forked over 82% of its advertising budget on Class FM, a total of HUF 709 million at list prices, and not a single cent on Neo FM. **Neo FM, airing on a more valuable spectrum, with a larger reach and producing consistently higher listenership figures, gradually found itself being shunned not only by public sector, but also by private sector advertisers.** Not even its stable audience of 1.5 million listeners was able to offset the political setbacks that private firms feared if they advertised on the station, whose owners were associated with the left. So while Class FM was able to easily afford broadcasting license fees from the state funds it was receiving, Neo FM fell into the ditch that the two had dug together. Its steadily waning advertising revenues were not sufficient to fund not only the spectrum license fee, but also its overheads, and in the final stage, staff wages could not be paid. Despite its continuously rising listenership, the radio found itself increasingly indebted and had accumulated more than HUF 1 billion in debt by late 2011, and stopped broadcasting soon after. This is how politics ruined Hungary's most popular commercial radio station and cleared the way for Class FM, run by Fideszist oligarchs, the "adopted family," to siphon off public funds to private banking account with no competition in its way. **Meanwhile, the operators of the station engage in the politically mandatory brainwashing;** the newscasts of Class FM, which has risen to the rank of market leader, only feature coverage of the ruling parties according to the latest measurements, needless to say in an exclusively positive context. By 2013 Hungary's most popular radio station had reverted to the Kádár era.

The reshuffling of the commercial radio market along political considerations did not end by any means with the exsanguination of Neo FM. After the resolution of the case involving the two national commercial spectrums, Prodo Voice Kft., also linked to Zsolt Nyerges and a complete newcomer on the radio market, emerged as the winner of the third most valu-

able spectrum, with a reach of 3.5 million people, in a tender announced by the Media Council. The spectrum had previously been occupied by the popular *Juventus Rádió*. *Juventus*, which had been broadcasting successfully on the frequency, also took part in the tender, just like *Sláger Rádió* and *Danubius*, to no avail. Its successor, **Music FM**, began broadcasting in December 2012 and was inundated by advertising orders from the first months.⁴ During the first six months of its operation, with no reliable information on its listenership figures, state institutions spent over HUF 270 million at list prices on advertising. The biggest state advertisers—gambling monopoly *Szerencsejáték Zrt.*, the National Development Agency and energy group *MVM Zrt.*—were joined by the Prime Minister's Office, the Student Loan Center, the National Motorway Management Company, the Hungarian Post, the Hungarian National Foundation for Recreation, and a plethora of other state and municipal institutions. It therefore comes as no surprise that over a third of the advertising revenues generated by Music FM, owned by Nyerges, came from public companies, while this ratio generally stood short of 10% across the entire radio market.⁵

Meanwhile, enabled by the infringing cooperation of the Media Council, *Lánchíd Rádió*, also linked to Zsolt Nyerges, acquired national spectrum almost imperceptibly, and to add insult to injury, without having to pay a broadcasting fee for the acquired spectrum. At the same time, the liberal *Klubrádió*, featuring a similar profile, has to cough up an annual HUF 53 million in broadcasting fees.

The spectrum licenses of the fifty local and regional radio stations expired between 2010 and 2012, and the Media Council, comprising only members delegated by the ruling party, was in charge of evaluating the relevant tenders from 2010. Its decisions were thus geared toward serving the political and business interests of the governing parties. Almost every local station broadcasting on a given spectrum lost its license, and the licenses were doled out to churches or business interests closely associated with the ruling parties. In 2011–12 the Catholic *Mária Rádió* obtained seven spectrum licenses, *Lánchíd Rádió* obtained five, Protestant *Európa Rádió* obtained three, and Magyar Katolikus Rádió obtained two frequencies, local or regional, and none of them having to pay broadcasting fees thanks to their non-profit, community classification.⁶

Infocenter Zrt., the operator of Class FM and publisher of *Heti Válasz*, a weekly linked to Zsolt Nyerges, and *Nemzet Kiadó*, associated with Gábor Liskay, launched *Lánchíd Rádió* on a Budapest frequency in 2006.

A study by Mérték Médiaelemző Műhely found that from 2010 it “won every tender it took part in ... based on its commitment to broadcast 50% of local content as a part of its local reporting agenda. The Media Council awarded the maximum score to the programming structure submitted in all of Lánchíd Rádió’s tenders.”⁷ A few months after the evaluation of the tenders, many of the contracts concluded with Lánchíd Rádió were amended by the authority, giving the green light for the station to broadcast the contents of its main Budapest center of these spectrums instead of local content. Thus, the very condition that enabled the station to obtain spectrum—commitments regarding local content—was amended in the contracts. This deceitful procedure allowed Lánchíd Rádió to emerge as a community broadcaster with a national network. As a result, **currently three of the most valuable radio spectrums are controlled by Fideszist media moguls Zsolt Nyerges and Gábor Liszkay**. No sectoral media monopoly of this kind is fathomable in a normally functioning democracy.

The Final Hours for Independents and Left-Wing Liberals

The other side of the scale is the administrative and economic effort to thwart the operation of **left-wing liberal and independent radio stations**. May of 2011 saw the demise of Radio Cafe, popular among young liberals of Budapest, while Radio1 stopped broadcasting in 2012, and provincial regional and local radio stations lost their spectrum one after the other. Klubrádió garnered the most media attention, and was also picked up by the international media. **Klubrádió** was launched in late 2001 as an opinion and news radio station, with a catchment area including the capital Budapest and its 45- to 50-mile vicinity. It expanded its rural network gradually, joining together with other companies to form a network, and was airing in eleven Hungarian cities and their vicinity by 2007. The station quickly rose to be the second most popular radio station in the capital. The lion’s share of its production staff and audience were associated with the left and the liberals, and it never attempted to hide its inclination. Despite the station obtaining a community, and later a commercial spectrum in the context of an ORTT and a Media Council tender, the media authority did everything in its power over the course of three years to prevent the station from broadcasting, even ignoring binding court rulings. The station was finally awarded the Budapest spectrum it had acquired years earlier, with a far smaller catchment area, and as the radio authority’s attempts to thwart the

station's operation through administrative and legal avenues had failed, the ruling power adopted a strategy of economically "drying out" the station. Despite a steadily rising listenership in the capital, Klubrádió was unable to generate a cent of commercial revenue. It has been shunned by both public sector and private sector advertisers since 2010. Klubrádió has become an enemy of the system, and all private companies are well aware of the hefty price they would have to pay for advertising on the station. In Hungary, a weak and small market, no privately owned company can afford to get on the wrong side of the ruling power. Since then, Hungary's single opposition radio has been funded by its committed listeners, most of them of modest financial means. The radio is kept on life support by regular donations of a few thousand forints from impecunious pensioners and public-sector workers, but this is no doubt unsustainable in the long run. The economic collapse of Klubrádió would be synonymous with the disappearance of Hungary's last opposition radio, while the last bastions of independent radio have already been eradicated in provincial Hungary.

Occupation of Public Service

The most pressing task for the ruling parties that acceded to power in May 2010 with a two-thirds parliamentary majority was to fully occupy public service media. Just a few weeks after the change of government, two MPs from the incumbent government presented a bill—in the form of an individual MP motion, a tactic that has since become customary—for **re-regulating the operation of public service media outlets**. The bill, immediately passed by the parliament, completely redefined the structure and operation of public service media. The incumbent parties, emboldened by the **concentration of power**, merged the three public service radio stations, Magyar Televízió, Duna TV, and the Magyar Távirati Iroda (MTI) news agency into one huge conglomerate, which has been unable to fulfill its essential functions to date. The broadcasting fund (MTVA) that emerged from this move was tasked with a dual function: to quickly occupy leading offices at the helm of public media outlets to start a process of political cleansing, and to channel the substantial state subsidies and advertising revenues into a single entity.

The political cleansing started in summer of 2010. The first step consisted of appointing entirely loyal leaders from right-wing and extreme right media circles to the helm of all public service stations and the MTI

news agency, and similarly reliable party cadres occupied the top positions of all key public affairs editorial teams.

Meanwhile at least a thousand people, most of them program producers, almost everyone who had failed to testify to their unconditional loyalty to the ruling parties, were fired from public media between 2010 and 2011. People with thirty- to forty-year-long careers in public service media behind them, some just a few short months away from retirement, were suddenly fired. Some did not even have the time to empty their drawers, their badges were taken immediately, leaving them unable to enter their former workplace on the day following their dismissal. Staff awaiting their dismissal stood in lines in front of the offices of the party commissars tasked with the slaughter, and nobody dared to answer the phone in the editorial rooms. The party bulldozer tearing apart the public media could not be held back on either professional or humanitarian grounds. The enforcers of the “family-friendly government” had no qualms about firing, with immediate effect, a father raising five children or a mother with a disabled child, both with thirty-year track records, or an expecting mother. And because no explanation is needed in case of mass layoffs, there was no legal obstacle to cleansing public media of anyone deemed as politically unreliable, people who had created the face of public service media and its professional prestige over the past decades. **“Nobodies are firing the people who count,”** commented the former chairman of the ORTT. Excellent editorial teams running successfully for decades were dismantled, long-standing, popular shows were pulled from the air one after the other, while (extreme) right-wing Fidesz allies continued seeping in from private media outlets. **The host of Fidesz Party events was appointed as superintendent of the first state television channel, and a far-right Jobbik Party ally as news editor.** Emblematic public service media producers and shows disappeared, and the face of public media changed radically. Alongside the political cleansing, both Magyar Rádió and publicly funded television channels saw continuously decreasing coverage of public affairs and political topics, while tabloid journalism grew to account for over 50% of news items.⁸ It is clear that the **shift of state news programs toward tabloid journalism**, the eradication of their cultural profile and the low standard of entertainment shows were geared toward positioning public media stations in the same league as commercial channels. Although this endeavor was clearly hopeless, as public service television only captures less than 10% of audiences, it nonetheless marked a move further and further away

from public service norms and the tenets of diverse, unbiased, and effective information.

The unilateralism and political bias of their news programs are regularly reflected in the media watchdog's content analyses. Coverage of the government and ruling party politicians exceeds 70% on state television channels and is often over 80% on Kossuth Rádió's *Krónika* show. Just as illustrative is the fact that while double the amount of coverage of ruling party activity gives positive news compared to negative news, two-thirds of coverage of opposition parties reports failures and conflicts. In addition, news programs are just as inundated by tabloid journalism and low standards as entertainment shows, with half of the news items on televised news consisting of tabloid events. Meanwhile, the operation of public media continues to be plagued by professional scandals; the falsification, concealment, and manipulation of the news has become a daily phenomenon, and program producers only have to meet political expectations. **There is no longer a public service media in Hungary in 2014—merely a state media fueled by public funds.** As one MTVA staff member with a thirty-year industry track record and a former employee of Radio Free Europe explained in his resignation letter:

This is censorship, the *Gleichschaltung* of content, and a severe calling into question of editorial powers. What is more, this censorship goes hand-in-hand with a rise in manipulative, propagandistic content. "Production news items" are once again being featured; demand for such items was last seen during the Kádár era.... I refuse to put my name to this.... I no longer want to be a part of what is currently going on. I am also leaving this career.⁹

The **unification of content provision** also began to unfold in 2010, alongside the monopolization of the media market. The **news service of the MTI Hungarian news agency was made accessible free of charge**, an offer that was irresistible for the continuously cash-strapped players of the media market. The manipulatively selected and interpreted news issued by the agency, fully controlled by the ruling government, shapes the Hungarian information landscape. Although a single attempt has been made over the past four years to set up an alternative news agency, the private endeavor was only able to withstand the competition against the fully publicly funded news agency providing free news service for a few short months.

MTI manipulates the users of its service through the tactics of concealment, delays and misinterpretations tried and tested during the Kádár era, **and even goes as far as fabricating lies upon political orders.** The radical reorganization of the structure of state media was also geared toward **unifying content provision.** The outcome: all programs broadcast by media outlets funded by taxpayer forints must be ordered from a single source, the Media Services and Support Trust Fund (MTVA). The total assets of former public service institutions were transferred to this entity, including its invaluable archives, and this institution wields employer's rights over all public media workers and orders programs from external vendors. Leaders in charge of unified content are without exception political censors loyal to the ruling party. The Media Services and Support Trust Fund also supplies news to commercial radio stations. As the documents obtained by the transparency advocacy website atlatszo.hu revealed, the company owned by former Orbán administration spokesman and current state secretary for government communications at the Prime Minister's Office András Giró-Szász provides a uniform news compilation to twenty-seven commercial radio stations, which are required to broadcast it with unaltered content. These news programs, selected strictly based on political criteria, reach four million listeners. Unsurprisingly, **the largest supplier of content to the MTVA is number one Fidesz oligarch Lajos Simicska and his web of satellite firms.**

An Insulated Food Chain

The professional dismantling of state media and its subjugation to the aims of partisan politics was only one of the goals of the institutional reorganization and full centralization. A goal that was just as important and executed with the same degree of effectiveness was the channeling of the **public funds and advertising revenue available in public media to companies associated with Fidesz, primarily the business interests of magnate Lajos Simicska.** The business success of these firms hinges upon statutory guarantees for increasing budgetary subsidies for public media, which amounted to HUF 83 billion in 2014. In comparison, the operating costs of the two national commercial television stations, RTL Klub and TV2, taken together barely add up to half of the public media's annual budget, while

individually reaching an audience three to four times larger than all public service outlets together. The strategy to get their hands on the whopping budgetary support extended to state media has consisted of the past three years of creating an **insulated food chain** around public media, exclusively feeding the companies of Fideszist oligarchs. These companies create externally produced content, sell public media advertising time, and produce the lion's share of advertising spots for state institutions and companies and the government, while also winning the public procurement tenders announced by the MTVA. There is no avenue of diversion of public funds that is not associated, directly or indirectly, with a business interest of Lajos Simicska. It is no coincidence that the media and advertising industry voted Simicska as the third most influential person in Hungarian media in the top 20 vote for 2012.

The businesses associated with Zsolt Nyerges and Lajos Simicska generate huge profits **not only as media owners and content producers, but also as producers of advertising and buyers of advertising slots** in public media.

In light of all this, the interests served by the statutory amendment, unwarranted from a public service perspective, **to increase hourly advertising blocks by 30% in public service media** were clear. If we consider that the total advertising activity of publicly funded media, from the production to the collection of broadcasting fees, through advertising is in the hands of Fideszist oligarchs, we can understand why the length of advertising blocks sustained through public funds was increased in Hungary, while Europe has been considering removing advertising entirely from public service media.

The advertising placement preferences of state institutions have radically changed over the past four years, with a **dizzying rise in advertising in public places**. "The fact that state orders are not absorbed by the traditional content-producing media market but by the owners of a billboard company and who knows who else creates a new situation in terms of quality," says a study by market analysis firm Mérték Médiaelemző.¹⁰ In light of what has been said so far, it is not difficult to guess that the company owned by **Lajos Simicska and Zsolt Nyerges** is at the top of this food chain swallowing up public funds, **a company that now owns 80% of advertising services and public spaces**. In 2012 alone, the company paid out dividends of over HUF 1 billion to its owners.

The Siege of Commercial Television Stations

Fideszist entrepreneurs had already attempted to gain a controlling stake in one of the two commercial television stations even before the 2010 electoral victory, but their attempts proved futile for a long time. As it was bound to happen, and as Viktor Orbán made it clear, he does not approve of the fact that “none of the big commercial television stations are Hungarians, every one of them is foreign ... This will not always be so,” said the prime minister in an interview.¹¹ The **intent to acquire ownership** was driven by both financial and political motives. The huge advertising revenues of commercial stations make them attractive targets for investors, and the substantive and political uniformization of information is also a crucial aspect, as the vast majority of the adult population spends 90% of their time, over four hours on average, in front of their TV sets, and two-thirds of this audience obtains its information from the two large commercial stations. The diluted entertainment shows featured on commercial television are the sole source of leisure for the vast majority of the adult population. However, it is not necessary to acquire stakes in commercial television stations to subjugate them to the ruling power. As clearly felt in recent years, **political pressure can be applied through the unlimited power of the media watchdog, consisting entirely of ruling party delegates**, the exorbitant fines levied on television stations, manipulation of state advertising placement, allusions to possible buy-outs, or promises of crippling taxes. Meanwhile, market players must also be made aware of the government’s generosity toward those who play by the rules. The new media law’s provisions allowing product placement was a boon for commercial television. This form of advertising generated substantial windfall revenue for television market players. **Stakeholders quickly gained an understanding of the dual tactic of punishment and reward; political programs were pulled from the offering of commercial television stations and the news was depoliticized from 2010.** Between 2010 and 2014, 80% of the news programs of commercial television stations consisted of tabloid news items and coverage of crimes, accidents, natural catastrophes, and weather-related events, while the remaining 20% allocated to political news failed to make the headlines and oftentimes ended up in the last third of news compilations, when audiences have already dwindled significantly. Most of the news negatively affecting the ruling parties was swept under the rug in these programs. The politically vulnerable situation of commercial televi-

sion in Hungary is accurately reflected in the composition of talent show judging panels, also tinged by political interests.

Commercial station TV2 has been financially wobbly from the get-go and has therefore always sought to please political decision makers. Its political maneuvering and playing to the ruling power became overt following the change of government. In 2011 one of the key faces of Hír TV was appointed as the chief news policy consultant; TV2's news coverage is just as biased as public service television, with political news filled with the successes of the ruling parties. And although state advertisers rewarded the station's political efforts—with three times more advertising spending channeled into TV2 on account of the digital switchover compared to the far more successful RTL Klub—the station, continuously bleeding money, still ended up being sold after lengthy negotiations clearly to investors associated with the ruling party. When Fidesz leaders and oligarchs decided to **gain a foothold on the commercial television market** just like they did in the radio market, they initially attempted to acquire a share in RTL Klub. After this attempt failed, they decided to acquire the increasingly struggling TV2. As a first step, the foreign owner of the strongly capitalized Viasat3 having expressed serious interest in acquiring the station had to be driven off. As a first attempt, ruling party politicians proposed an advertising tax, which proved an effective deterrent: the owners, at an advanced stage of negotiations for purchasing TV2, got so scared about the possibility of the exorbitant tax, in the ballpark of billions of forints, that they abandoned their buyout plans. The management of TV2, widely known to have close ties to Fidesz, turned up as a potential buyer and proceeded to purchase the station through a loan transaction that remains unclear and obscure to date. TV2, in the red for years and having closed in 2013 with a record loss of HUF 11 billion, now has to cover not only its own operating costs but also the instalments of the loan, to be repaid over a five-year term. This would clearly be unfeasible even if all the advertising spending of public institutions were not channeled exclusively into TV2 and state television stations, and advertising firms are also under a great deal of pressure to direct their advertising spending toward outfits associated with the government. The fact that TV2 was anything but successful in business terms and its value was exhibiting a strong downward trend prior to its acquisition testifies to the fact that the purchase was driven by political and power-related motives, as does the unrealistic business deal behind the transfer of ownership. Rumors of a prospective sale of TV2 had been circulating

for years, and the parent company, ProSiebenSat 1.(P7S1), had made its intention to spin off the loss-making Eastern European media company clear earlier on. In the spring of 2014, the owner was revealed to be in talks with several potential buyers, one of them Infocenter ZRT, owned by the Nyerges–Simicska duo, two of the most powerful Fideszist oligarchs. In light of the circumstances, market experts were almost certain that the company running the substantial government propaganda factory would obtain the commercial station, so the fact that the station was acquired by two members of its Hungarian management in the context of a special deal, and not the Nyerges–Simicska duo, took everyone by surprise. Looking back at the events that unfolded on the media market in 2014, this move seems to be a declaration of war issued by Viktor Orbán against the media oligarch appointed by him earlier. The transaction, yielding substantial drawbacks for the seller and an unreasonable amount of advantages for the buyers, was fronted by figures who were mere figureheads, with no real fortunes of billions to acquire and run the company. The real protagonists of the deal are, presumably, the two new media market favorites Andy Vajna and Árpád Habony. The station, valued at HUF 15–20 billion, was sold by its owner for mere HUF 4.8 billion, to be paid not as a lump sum, but in yearly instalments over a five-year period. In addition, the selling parent company waived TV2's billion-forint debt through various loopholes, and the buyer acquired over HUF 1 billion in cash assets, then used to fund its daily operations. All things considered, in the current state of affairs the second most highly viewed television channel, accounting for roughly 18% of viewers, with an estimated market value of at least HUF 15 billion according to pundits, was obtained for practically next to nothing by Viktor Orbán's new oligarchs. It seems, however, that Orbán and co. still failed to get a good deal. TV2's market position has further deteriorated since the acquisition, its viewership is steadily declining, and its losses are climbing despite attracting substantial state advertising spending. It appears that they bit off more than they can chew. Although TV2 is now the sole recipient of all state advertising spending among the two commercial stations, with double the amount of advertising orders placed with the station in the last months of 2014 compared to all the other media market players together, and the company being exempted from the several billion forint advertising tax thanks to a statutory amendment, its losses continued to climb. This failure is a testament to the fact that abuse of power, coercion, the overturning of market rules, and the unabashed misappropriation

of public funds cannot make up for the expertise essential for business success. Sheer force and arbitrariness afforded by power suffice in the environment of the mafia state for gaining ownership, but prosperous operation requires expertise, a sound financial background, and adequate institutional infrastructure.

The vast majority of **regional and local television stations** are controlled by ruling party municipalities. Municipal leaders, after the local municipal elections, quickly replaced the heads of local television stations, most of which act as a platform for the ruling parties similarly to public media.

Print Media: Who Is Reaping the Benefits?

Fidesz began building its print media empire in 1998 when it was first elected to government, using public funds and exploiting its position of power. The first step of this process consisted of merging the struggling, economically unsuccessful newspaper *Új Magyarország* with **Magyar Nemzet**, which had enjoyed great prestige earlier but had accumulated huge losses by the second half of the 1990s. The publisher of the ruling party daily thus created—Nemzet Kiadó, considered the flagship of the Fidesz media empire—was flooded with advertising revenue, and not only from public companies. In addition, the gambling monopoly Szerencsejáték Zrt., whose newly appointed chairman had formerly been in charge of Mahír Rt., a company linked to Lajos Simicska, also transferred the publishing rights of the **Sportfogadás** sports betting newspaper, with a guaranteed circulation of at least 10,000 copies, to the publisher of *Magyar Nemzet*. From then on, *Sportfogadás* was published as a supplement to *Magyar Nemzet*, and anyone curious to find out the current winning bets had no choice but to buy the ruling party newspaper. As revealed following the 2002 change of government, the transfer of publishing rights secured not only a stable clientele, but also annual revenues of HUF 297 million for the publisher. This is what Szerencsejáték Zrt. paid to the publisher of *Magyar Nemzet* to issue the *Sportfogadás* supplement.¹² Following the 2010 electoral victory, fortune once again smiled on the **Nemzet Lap- és Könyvkiadó** publishing group, which was linked to Lajos Simicska and Gábor Liskay. It was considered the flagship of the Fidesz media empire and controlled the *Magyar Nemzet* daily and the Hír TV news channel. It did not even attempt to maintain the illusion of the autonomy of these two outlets, *Magyar Nemzet*

and *Hír*, which served as a communication platform for the ruling parties and are much more akin to the propaganda tools controlled from party headquarters of a one-party state rather than democratic media outlets. Similar to the role played by *Népszabadság* and the monopolistic state radio and television stations during the Kádár era, nowadays *Magyar Nemzet* and *Hír TV* are the sources of information for readers/viewers on what is good or bad, who is friend or foe, who is to blame and who deserves to be morally and financially reviled. *Magyar Nemzet* and *Hír TV*, which serve as party propaganda tools, are the platforms for all information leaked by state institutions and the public prosecutor's office, and are handsomely rewarded for their service by the state and municipalities from public funds in the form of advertising, subsidies, and subscriptions. In the first half of 2012, 17% of all state advertising placed in print media was directed toward the publisher of *Magyar Nemzet*, while *Népszabadság*, boasting the highest circulation, only got one-tenth of the pie, i.e., 1.5%. Gábor Liszkay, the head of the publishing outfit, earned over HUF 300 million from the media firm in 2011 alone, estimates atlatszo.hu.

State advertisers and municipalities have not been unkind over the past years to the *Magyar Hírlap* daily, aimed at a far-right readership. The daily, formerly a liberal outlet which had seen better days, was acquired in 2005 by Gábor Széles, another Fideszist oligarch, and following the replacement of its entire editorial team, it quickly became a platform for far-right adherents of Fidesz, regularly causing scandal with its hatemongering as well as racist and exclusionary writing. A *Magyar Narancs* piece¹³ revealed that municipalities are also generous when it comes to ordering copies of the daily, alongside their advertising spending. Over the past year, almost every municipality of Budapest multiplied its *Magyar Hírlap* subscriptions; Újbuda hiked its number of subscriptions from 5 to 50, the mayor's office of the fifteenth district from 2 to 75, and Zugló to 150, inflating the publication's revenues by at least HUF 10–15 million. This gives daily access to the hatemongering and far-right leaning journalism not only to municipal staff, but also those working in nurseries, kindergartens, and educational institutions. The revenues on subscriptions are only fiddling sums for the publisher basking in advertising money, while *Népszabadság*, the left-wing daily with the highest circulation to date, essentially gets not a single cent of this spending. Television station **Echo TV**, run by Gábor Széles and also characterized by extremist tones, is also the recipient of substantial state advertising.

The free paper *Helyi Téma*, which is delivered to home mail boxes, was launched during the left-wing and liberal administration. The paper, tinged with extremism and extremely poor in terms of both design and professionalism, harkens back to the political messages of China's *dazibaos*, the wall-mounted posters featuring large-sized Chinese characters that are used as a means of protest, propaganda, and popular communication. It gained a foothold on the market following the 2006 municipal elections, when a string of Fidesz-led municipalities struck deals to publish the local variants of the paper. Its circulation nearly doubled from 2005 to 2006, reaching nearly 800,000 households by the latter. The paper's publisher is billionaire Tamás Vitézy, a relative of Viktor Orbán. Vitézy's family members occupy a variety of positions within the state apparatus.

It is no coincidence that Fideszist oligarchs see **free newspapers** as having the most potential in the rapidly shrinking media market. While print media is plagued by waning circulation numbers from year to year, freely distributed papers have been spared in this trend. The target audience of the *Metro* free daily newspaper, which is distributed at public transport stations, busy public areas, and public institutions, consists of economically active citizens and students commuting via public transport, groups that are difficult to reach through traditional media and which have high political value. The paper, funded entirely by advertising revenue, was launched in Hungary by a Swedish publisher in 1998 and has steadily maintained a circulation of 360,000 to 400,000 and an estimated readership of 600,000. The free newspaper is published in twenty-three countries worldwide, and its success hinges on the publisher's agreement with public transport operators and municipalities overseeing the use of public areas to allow the distribution of the paper in these locations. According to the assumptions held within the media industry, the owner was forced to sell off the successfully introduced paper in 2011 because it was cornered on this particular aspect. The possibility of having its distribution license revoked presumably pushed the owner into selling the paper to a company run by Károly Fonyó, a media entrepreneur linked to Fidesz and who also has a joint venture with Lajos Simicska. Since changing hands, public funds have been flowing into *Metropol*. According to the estimates of *atlatszo.hu*, Fonyó has pocketed nearly HUF 500 million in profits from his media empire since 2011.¹⁴

Heti Válasz is the weekly publication of a structured media empire. Its current editor-in-chief is the former spokesman of the first Orbán

administration, a person who has built a dizzying career of swallowing up public funds since 2010. According to calculations, the amount of state and municipal support per copy exceeds the per copy subscription price. According to *atlatszo.blog*,¹⁵ in 2012 nearly HUF 300 million was channeled into *Heti Válasz* alone in state advertising at list prices. In 2012, 23% of the state advertising that appeared in 132 weeklies and journals was paid to the publisher of *Heti Válasz*, while not a single cent was paid to independent, left-leaning, or liberal outlets. Municipalities have also been generous in their spending of public funds at *Heti Válasz*: eleven Budapest districts have paid more than HUF 22 million to the publisher for merely having a supplement about their district published in the paper, and other municipalities overseen by ruling party leaders presumably also paid handsome amounts of taxpayer funds to the publisher for advertising and subscriptions. The paper, with a weekly circulation of 15,783 copies, contains six times more state advertising than the economic weekly *HVG*, which has a circulation that is three times larger, and the amount of state advertising revenue per copy is thirty times larger, compared to one copy of the women's weekly *Nők Lapja*, which has a circulation of 210,000 copies. Although there is no relevant national data available, there is no doubt that the lion's share of the weekly's sales revenues consist of institutional subscriptions. In light of these facts, it comes as no surprise that the weekly, which in the past had sometimes taken on the role of his Majesty's opposition and thus gained a certain level of prestige among consumers of independent media, has by today become an unconditional servant of government propaganda and the leading platform for smear campaigns against opposition parties and politicians and independent NGOs.

An even greater recent success than *Heti Válasz* in terms of attracting state advertising is the gastronomy periodical *Magyar Konyha*, which pulls the same value of advertising at list prices as the most widely read nontabloid weekly, *HVG*. In 2012, 5% or HUF 62 million, of all state advertising spending on weekly publications was channeled into *Magyar Konyha*, whose director is the editor-in-chief of *Heti Válasz* and whose head of the editorial board is Anikó Lévai, the prime minister's wife.¹⁶

Specialist publication *Fourfourtwo*, linked to the Puskás Football Academy in Felcsút, founded by the prime minister, is also popular among state advertisers, having drawn advertising orders in the amount of HUF 51 million at list prices last year, ranking sixth based on state advertising spending.¹⁷

There is also ample funding for the openly racist, exclusionary, and at times neo-Nazi **editorial team of *Magyar Demokrata*, supported not only by public institutions, but also Fidesz-led municipalities.** The Hegyvidék municipality, led by Fidesz politician Zoltán Pokorni, and the Zugló district, led by Ferenc Papcsák, paid out over HUF 10 million, while the Csepel municipality paid out HUF 6 million to the paper between 2009 and 2012.¹⁸

The state has also played a very active role recently not only in shoring up its allies, **but also in thwarting opposition or independent papers.** Deserving of a mention is the series of attacks on the opposition daily *Népszabadság* led by the Media Council, which wields unlimited power over the media market. NMHH, which uses every tool at its disposal to bolster the media oligopoly associated with Fidesz and the emergence of an information monopoly taking hold in more and more areas, prevented a merger between Ringier, the Swiss publisher of the political daily with the largest circulation to date, and the publisher of some key provincial dailies, Axel Springer. The Hungarian authorities refused to give the merger, which had been completed in several other European countries, the green light on the grounds that the newly created company would gain excessive media influence. In the end, the merger was authorized on condition that Ringier first sell off its existing stake in *Népszabadság*. There was a prospective buyer for the daily, however HVG's journalists found out that the buyer was linked to a company owned by former Fidesz administration member Tamás Fellegi.¹⁹ Although the transaction has not been finalized to date, the continuous economic uncertainty surrounding the leading opposition paper yields huge political benefits for the government. Both public and private sector companies steer clear of the *Népszava* newspaper, associated with the Socialist Party, and independent outlets like *Magyar Narancs* or *Élet és Irodalom*. The latter are well aware of the hefty price they would have to pay for advertising in liberal media.

County-level dailies garner less attention than warranted, despite being the most widely read papers in Hungary after free papers and tabloids. These fundamentally depoliticized outlets **are held on a political tether by local municipalities.** Most recently, a scandal erupted with regard to *Heves Megyei Hírlap* when it was revealed that the municipality of Eger pays HUF 235,000 to the newspaper in exchange for its “good conduct,” among other things. “In this context, it is strictly prohibited for it to publish any facts or assertions harmful to or jeopardizing the client’s [the municipality’s] reputation, or to act in any way leading to the

presumption of the above.”²⁰ Freedom of the press in provincial Hungary therefore has a price: HUF 235,000. This contract with the municipality was concluded with German-owned Axel Springer, and we have no reason to assume that the German parent did not apply the same practice to other county-level dailies. In the cities where the local municipality did not manage to subjugate the local paper, for example in Pécs, it is attempting to ruin the local paper, which has been published for decades, and to launch a new, ruling party-friendly paper.

As another gesture toward the far right, after many failed attempts, *Magyar Krónika*, a new cultural and public affairs daily funded entirely from taxpayer forints, was launched in early summer. Prime Minister Viktor Orbán was in attendance and gave a speech at the paper’s founding meeting, held at the headquarters of the far right *Magyar Demokrata*, which now houses the editorial team. The ceremony was hosted by director Imre Kerényi, known for his extremist and homophobic views. The paper’s editor-in-chief is Gábor Bencsik, who a few years earlier, after the political changeover, had to resign from the position of chairman of the largest association for journalists, the Association of Hungarian Journalists (MÚOSZ), following revelations that he had been running a bookstore selling Hungarian and Nazi literature with his brother, the editor-in-chief of *Magyar Demokrata*. Fidesz’s party foundation supported the publication of the costly paper with HUF 30 million, but this was merely a symbolic gesture and a trifling sum compared to the actual publication costs of the periodical. *Magyar Krónika* has a circulation of 10,000 copies, 6,500 of which are distributed for free in public institutions, mainly schools. Of the 3,500 copies of the first issue distributed to newsstands, approximately 2,800 were returned to the publisher as remaindered copies, with only 700 copies of the brand-new monthly sold.

While the Internet is now the main source of information for younger generations, Fidesz’s propaganda machine has so far failed to gain a foothold in the world of online news sites. Many factors may have contributed to this. Because launching a professionally run online news site requires an investment in the ballpark of billions, and the leading news sites in Hungary all operate at a loss, Fideszist business magnates have so far not been tempted to invest in this area. In addition, the future of online news sites does not look rosy. While a few years earlier, pundits presaged the meteoric rise of online media and the death of print media coupled with a decline in traditional electronic information channels, it has become

clear by now that this market is far more fragmented and opaque than traditional media, and the slew of new social websites, acting as news and commentary factories, are playing an increasingly important role. In addition, the discussion-based, reflective nature of online media is far removed from the operation of the Fidesz government's information policy and propaganda machine. However, it is hard to tell what the future holds in this area. The owner of the leading public affairs and political news site *Index*—which played a major role in the smear campaign against the left-wing liberal camp between 2006 and 2010—is billionaire Zoltán Spéder, a friend of Fidesz, who in recent months has played a prominent role in the restructuring of the state's financial portfolio. It seems that Spéder is orchestrating the appropriation of the Takarékszövetkezet cooperative banks by the ruling party, and will presumably be placed at the helm of the state-owned cooperative bank.

We have also been given a taste of the government's attempt to keep at bay and blackmail the multinational owner of the other major news site *Origo*. The background analysis published by news site *444.hu* clearly reveals how easily Deutsche Telekom, in which the German state holds a majority stake, would have sacrificed the independence of the independent website in exchange for a handsome deal. The scandal surrounding the dismissal of *Origo*'s editor-in-chief for clearly political reasons may prevent this media and advertising market victory for yet another Fidesz-friendly media empire. According to a report by the *Figyelő* weekly, "political commissars have long been circling the highly read website... From the outside, the activities of Attila Várhegyi and his wife ... were the most conspicuous... They gave advice and formulated requests."²¹ Várhegyi was sentenced to a suspended prison sentence in 2002 for continuous, large-scale misappropriation of funds after being convicted of incurring losses of HUF 154 million for Szolnok as mayor of the city through various real estate dealings. Várhegyi, former Fidesz Party director and member of parliament and state secretary during the first Orbán administration, had already entered the media and advertising business following the 2006 municipal elections. His company received assignments from Fidesz-led municipalities, including Pécs, Hódmezővásárhely, Érd, Szigetvár, and Kiskunfélegyháza for advertising and PR work, and after the 2010 change in government, it won a string of public procurement tenders that were not announced publicly. The convicted ex-Fidesz politician's company signed a contract in 2012 with the MTVA to restore the reputation of the

beleaguered state media. The fact that Várhegyi's company is eyeing *Origo* suggests that the former politician, who is close to both Viktor Orbán and János Lázár, may be a new protagonist in the event of a redistribution of the market.

A New Chapter in the Colonization of Media—2014

Even before Fidesz's 2014 electoral victory, there were tell-tale signs of the changes in the tools used by the ruling power to regulate the media and monopolize information platforms. In the wake of the 2010 change of government, the tailoring of the legal and institutional operating environment to the party's preferences and the occupation of the institutions regulating the media were the main methods used. As time went on, emphasis shifted **to economic tools used to subjugate the media to Fidesz's political and economic objectives and to operate the brainwashing and money-laundering mechanism controlled by Fideszist oligarchs.** This conceptual shift is well illustrated by the gradual marginalization of NMHH, a mammoth institution set up after the Fidesz administration gained power in 2010, featuring a huge structure and ample budgetary funding. The media watchdog, initially set up clearly to serve as the executive arm of the ruling power and meeting these expectations, has seen its key media market role gradually shrink over the past years. The institution, with an annual budget of HUF 32 billion and an extremely complex organizational structure, has, after an initial period of much media market activity, by now become lifeless. All this played out in parallel with a shift in the focus of efforts by the ruling parties to monopolize the media market to use them as legal tools to economic tools. The coryphaei of the ruling power realized that economic pressure is not only simpler and more effective than legal avenues in achieving desired objectives, but is also viewed more leniently by international onlookers. While international organizations easily see through the limits on freedom of the press imposed by new legislation, the manipulation of the media market using economic tools is much harder to pinpoint. The fact that the media laws passed by government violate EU norms because they restrict freedom of opinion is easily identified by international legal and media experts, **however, the political and economic pressure exerted by politics on market players is difficult to prove on the international scene.** The big international scandal that surrounded the new media law passed in 2010, and then the Strasbourg ruling pronouncing

certain passages of the law as being in violation of European Union norms and the Constitutional Court ruling repealing the contested passages may have prompted the strategic decision to switch to economic means of pressure instead of legislative ones. And as NMHH was created to be the draconian executor of the law, it also lost its power as the focus shifted away from legal tools. But given the huge sums flowing through the institution, after the death of NMHH's first president, the government appointed Lajos Simicska's own attorney to take over the nine-year mandate, and thus control over HUF 32 billion in public funds.

The fast and effective regulation of the media was among the most pressing tasks of the Fidesz government both in 1998 and in 2010, as well as following its reelection in 2014. Even before the new government was formed, with no new minister responsible for legislation yet appointed, a bill aimed at further regulating the media, narrowing freedom of the press, and weakening media pluralism was already in the pipeline, filed as an individual MP motion and concealed as the introduction of a new tax: the **advertising tax**, the core purpose of which is clearly to further reduce freedom of the press. Media market pundits share the assumption that one of the main motives behind the new tax is to restructure ownership relations on the media market with state intervention. It is no coincidence that the first rumors of the new tax emerged during the weeks when both TV2 and the Sanoma media empire were put up for sale, as the billion forint tax significantly reduced the value of the two media giants. This was not an isolated case of the government using **legislation to advance its own market interests**, but the advertising tax is a double-edged sword. The tax puts significant pressure on relatively independent media, but also **impacts Fideszist media oligarchs that have gained heft over the past four years**. The advertising tax, passed by the parliament in just a few days and amended three times over the course of three days after its adoption, serves multiple purposes, except the officially declared one of increasing budgetary revenues. The expected annual revenue of barely HUF 8 billion is just one-fifth of the estimated damage it could cause to the national economy overall by imposing a burden on one of the most dynamically growing market segments, the media and advertising market, potentially resulting in the suspension of developments and investments and mass layoffs. And similarly to the banking sector tax, **taxpayers will have to pay the price of the advertising tax**, as in the long run it will result in worse services, less choice, and suspended developments in an attempt by outlets

to save costs and offset their losses caused by the tax. The biggest loser of the advertising tax was RTL Klub; the popular television station accounts for 16% of advertising revenue but has to pay 80% of the advertising tax.

The brutally progressive tax applies to the biggest market players, but in a move unworthy of a state governed by the rule of law, an amendment was added to the law at the last minute that exempted the second-largest broadcaster, TV2—which had recently been acquired by owners closely linked to the government—from paying the tax, a savings for the business worth nearly HUF 2 billion in 2014. The passing of such a legislative amendment—one specifically tailored to benefit Fideszist businesses—is an open declaration of state punishment for successful market enterprises and the rewarding of media outlets integrated into the government's propaganda machine through legislative avenues. Of the two rival national commercial television stations, RTL Klub will have to pay five times more tax in the future than TV2. And although RTL Klub has been more popular than TV2 among the eighteen to fifty-nine age group valued by advertisers for years, since the acquisition of the latter by owners with close ties to Fidesz, it has attracted 96% of state advertising, leaving only 4% for RTL Klub. It is not difficult to see that what appears to be ad hoc bills and media market transactions are all part of a thoroughly devised strategy. The intention is to apply the tried and tested methods used on the radio market to the commercial television market, with the ultimate goal being none other than to render the leading station economically unviable and propel the ruling parties and their oligarchs to a monopolistic position. However, the events of recent months have proven that achieving this objective will not be as easy as in the radio market, where the attack on Neo FM was enabled by the company's financially shaky ownership and professionally unsound management. RTL Klub, however, is a strongly capitalized multinational that may well be able to withstand government bullying for years. The Luxembourg-based media group, a subsidiary of global media conglomerate Bertelsmann, posted revenue of EUR 1.259 billion in Q3 of the current year, and wrote off EUR 88 million from the value of its Hungarian subsidiary. These proportions illustrate that although the advertising tax is a severe financial setback for the company on the Hungarian market, it is a quasi-imperceptible item within the budget of one of the leading global media groups. The management of RTL Klub decided to pick up the gauntlet thrown by the government (in the form of the advertising tax) rather than backing down. Politics made their way back to the station's prime-time news, previously depoliti-

cized and full of tabloid news items, with the station broadcasting a news segment highly critical of the government between 6:30 and 6:45 p.m. that has fundamentally changed the structure of political information. The professionally carried out reports provide daily information to audiences on the government's blunders as well as on the questionable finances of ruling party members and their abuse of power. The critical coverage in these news programs was welcomed by viewers and played an essential role in the falling popularity of the ruling parties. The change in the topical coverage of RTL Klub's news and the reappearance of politics not only improved its prestige but was also a market success for the station. Rival TV2 lost its formerly leading role among news programs, and RTL Klub saw viewer ratings for its news double over the past six months, now standing at 1.2 million viewers. The government sowed the wind and reaped the whirlwind with its introduction of the advertising tax. The fiscally insignificant tax, intended to generate fear within the media, had the opposite effect; the management of the most popular Hungarian television channel decided they had nothing to lose and declared war. Realizing the counterproductive impact, the government first tried to further tighten the economic belt, raising the advertising tax rate from 40 to 50%, and then—unilaterally amending the contract terms mutually accepted earlier—passing a law prohibiting commercial television stations from charging cable service providers a service fee. These two measures together amounted to a cost of HUF 12 billion for RTL Klub. When this failed to bring a change in the critical tone of RTL Klub's news—which satisfied the requirements of fair information—a two-thirds parliamentary majority passed a new legislative amendment that requires cable companies to place state media stations in the top six positions of their program offering.

But the advertising tax is a double-edged sword. It also represents a substantial burden for Fidesz's media oligarchs, although to a smaller extent than commercial television stations. The media empire run by the Simicska–Nyerges–Liszkay–Fonyó quartet, which has grown to huge proportions, generated revenues of HUF 40 billion in 2013 and the owners received HUF 8.2 billion in dividends. After a highly successful 2013, it appears that the oligarchs, so far favored exclusively by the ruling parties, will have to make do with less in the future.

The media outlets hitherto fully loyal to the governing parties and intent on serving the ruling power **let out a unanimous cry of horror and turned against the hand that fed them in response to the introduction**

of the advertising tax. Each and every one of them assessed the tax as an attack on the freedom of the press, and joined the protest announced by non-ruling party media outlets, an unprecedented move within the media empire ruled by Fidesz. No government measure narrowing the freedom of opinion and of the press and the independence of media implemented over the past four years had triggered a word of objection from right-leaning media outlets. In addition, they had covered every decision detrimental to their profession and peers with unveiled *schadenfreude*. They were all exceptions, shielded by the ruling power, unthreatened by the National Media and Infocommunications Authority's rigor, the tax authority, or the public prosecutor's office and amply funded by state advertising. This smoothly functioning casting was suddenly overturned by the advertising tax, and as every measure of this sort taken by Fidesz can also be interpreted as a political gesture, we have good reason to believe that **Viktor Orbán wanted to send a message to the oligarchs that have grown too big and too independent.** According to information leaked by sources close to Fidesz, Orbán deemed that Simicska had acquired too much influence and independence on the media market and made key decisions affecting the media market without consulting or getting approval from the prime minister. In addition, Orbán may be seeking to dilute the unrivalled power of Simicska and co. by fostering the rise of new oligarchs, to **diversify power within the Fideszist media empire** by supporting competitors challenging his own oligarchs. This step not only prevents individual protagonists from gaining too much influence, but also stimulates competition among them, instead of competition against the ruling power. The change in the behavior of media outlets, hitherto fully loyal to the government, no doubt suggests the growing scramble for positions within Fidesz's economic circles.

The "war of gangs" that broke out in the second half of 2014 and the increased fighting between Viktor Orbán and earlier media oligarchs significantly increases the value of the state media's role for the ruling power, as the outlets owned by former media oligarchs, although still loyal, are behaving far less predictably and are no longer suitable for filling the role of the propaganda machine void of any criticism. In addition, Orbán and his team presumably deemed that these media outlets operate at lower levels of effectiveness relative to the hundreds of billions of forints funneled into them over the years. The audience figures of the key television stations in terms of political propaganda only stand at a few percentage points and have tended to decline over time, and the ruling party's print media has

also seen steadily falling circulation numbers. Radio remains the most successful domain, but their short newscasts of just a few minutes yield little political benefit. These considerations may have shaped the government's decision to use publicly funded state media as the main platform for government propaganda, instead of the commercial outlets run by media oligarchs. In late 2014, plans to add a news and sports channel to state television, integrated within a single center, were announced, and as mentioned earlier, the ruling parties passed a law requiring cable companies to place state television channels, which attract smaller audiences, in the first six positions of their program offering.

In news that came to light in early 2015 and that has not been denied, Viktor Orbán revealed in the context of a private conversation to the heads of media outlets owned by Fideszist oligarchs that the government's media strategy was set to change, shifting emphasis to publicly funded state media in order to showcase and promote the government's activities. The heads of the propaganda machine that had fully served the will of the government earlier learned that they would have to try to survive on their own, as state media and other, yet unidentified outlets would be the future beneficiaries of the billions in state spending. It was during this period that the National Communications Authority (NKOH) was established, concentrating all public procurement and advertising spending announced by state institutions within a single entity under state control. According to preliminary estimates, the NKOH, disposing of approximately HUF 50 billion annually, is helmed not by Lajos Simicska's man, but by a figure appointed by the new oligarch. Translated to layman's terms, this was a thinly veiled declaration of war against the oligarchs, with the prime minister implying that they should no longer count on the billions in advertising support given in the past. As it was later revealed, this decision was driven not only by the desire to revamp state media, but also to weaken the human resources of the Simicska media empire. In early February, all the heads and many journalists of every media outlet owned by Simicska resigned on the same day, and there was no doubt in anybody's mind as to where they would continue: in the new Fidesz media empire under construction. This has escalated from a declaration of war to an open war, conducted not for the independence and freedom of the media, but for the favors of the prime minister's political influence, and the misappropriation of public funds. The prime minister's decision to change oligarchs may have been shaped by numerous factors.

Several signs suggest that Viktor Orbán deemed that Simicska had gained too much political and economic influence, had become too independent, and made many decisions without consulting the prime minister, which the latter only gained knowledge of as done deals. The prime minister also resented the fact that Simicska had a good relationship with the owners and managers of RTL Klub, regarded as public enemy number one, and there were also rumors that Simicska, sensing a weakening of his position, was himself the source of many of the embarrassing political news items reported by RTL Klub.

Certain opinions hold that Viktor Orbán disagreed with Lajos Simicska's biggest firm, Közgép, which regularly advertised in *Népszabadság* and *Népszava*, as well as other non-ruling party media outlets prior to the elections. It seems that while Lajos Simicska deemed keeping the opposition media on life support controlled by the ruling party as the optimal strategy, Viktor Orbán wanted its total obliteration.

Another problem for the government may have been the fact that compared to the huge sums of public funds siphoned off, the structure of the media empire controlled by Lajos Simicska and his partners was obsolete and operated ineffectively. *Magyar Nemzet* had a circulation of 35,000 and *Heti Válasz* of 15,000, Hír TV failed to reach even 2% of viewers, and Lánchíd Rádió's listenership was so low that it could not be measured. The empire's successful radio endeavors, Class FM and Music FM, yielded virtually no political benefit. And although there had been attempts at this for years, they have not managed to create a well-run online news site, quintessential for a politically successful media portfolio in the long run.

The most important reason may nevertheless have been the slew of new oligarchs knocking on the door. There had been many tell-tale signs earlier that Orbán's new oligarchs, éminence grise Árpád Habony and movie producer Vajna Andy, had their sights firmly set on gaining control of the government's communication strategy and the distribution of the substantial public funds to the media. Informally, they had already been handed key roles following the restructuring of the state media, but it was also clear that Fidesz would not stop at the total occupation of publicly funded media outlets, and was intent on building a new, privately owned ruling party media empire, to be overseen by these new oligarchs.

Although just over a month has passed since the revamping of state media, the first weeks were a spectacular failure. The formerly most popular state television channel M1 was replaced by a 24-hour news and commen-

tary channel on 15 March, and a sports channel will also be created in the months to come. Duna TV, which had been broadcasting to the Hungarian diaspora, took over the educational and entertainment function of the former M1, while M2, mainly featuring reruns, tried to target the under-30 age group. The new M1 news channel saw its ratings wane as each day went by, with the viewership of its primetime news program dipping continuously since the rebranding from 300,000 to 350,000 to now barely over 200,000. Petőfi TV, geared toward a younger generation, attracts virtually no viewers and the ratings of the shows transferred from M1 to Duna TV are also heading south.

The revamping of the state media has created a new situation for content suppliers as well. Lajos Simicska, formerly the biggest producer of entertainment shows, has been completely squeezed out of the market. The state media failed to renew any of his expiring contracts; some of the shows produced by his companies were pulled off the air, while others were transferred to different production outfits. The new oligarchs replacing him are close friends of Árpád Habony, widely known as the prime minister's personal advisor. Lajos Simicska, the previously unchallenged ruler of all commercial activity within state media, lost control over the sector in just a few short months.

Meanwhile, the public funds flowing into the Simicska–Nyerges–Fonyó media empire are also drying up. The process began in autumn of 2014 and has picked up speed since the outbreak of the war of oligarchs. *Magyar Nemzet*, *Heti Válasz*, and the free *Metropol* saw their government advertising revenues shrink by nearly half, by 40% over the course of a few short months, the most spectacular decline of over 90% affecting Simicska's monopoly holder in the out-of-home advertising market, Publiment.

And while the Simicska–Nyerges–Fonyó empire is being slowly squeezed out of the market, a new media firm owned by Habony and Tibor Győri was set up in mid-April under the name Modern Media Group ZRT. The twist in the story is the fact that Tibor Győri has been Lajos Simicska's closest colleague and co-owner over the past twenty-five years, and the two were even neighbors, while Gábor Liszkay, the key figure in the new ruling party media empire, was the number one man in Simicska's media empire until very recently. The new media portfolio will likely come out with a new daily, a free newspaper, an economic daily, and an online news site, and there are also plans to launch a radio and television station. There is no question in anybody's mind that the empire will be shored up using public

funds just like its predecessor. The real question is whether there is a viable segment within the oversaturated market to build an audience given the rapidly falling popularity of the ruling parties.

A key episode of the total war waged against Simicska was the revelation in mid-April 2015 that one of Viktor Orbán's most prominent oligarchs István Garancsi, who had made billions in the gas industry, had acquired public space advertising seller ESMA from its Spanish owners. This case is not without its own twist. In 2012 a two-thirds parliamentary majority passed a law prohibiting the posting of advertisements on lampposts. The objective of the law was clearly to run ESMA, the owner of advertising space on lampposts and a rival of Simicska, into the ground. István Garancsi therefore acquired a company with no value. However, the company will only remain worthless until the National Assembly passes a new law once again authorizing public space advertising on lampposts. Knowing well how the mafia government works, this could play out in a matter of days.

NOTES

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Mihály Andor

Restoring Servility in the Educational Policy

History has witnessed many revolts of serfs but never a revolt of the farm servants of large agricultural estates. Serfs, whether faring better or worse, were in charge, within certain limits, of their lives on their own lot. Farm servants, on the other hand, owned nothing at all. Even though provided with accommodation and shelter, they had no control over their lives since they were dependent on their landlords' humanity for their well-being. Serfs had the incentive to produce more so as to keep more. If their landlords tightened the rope around their necks, they had the consciousness to rebel. Servants, in contrast, received no more than their food and lodging, however hard they worked. Their resistance did not manifest itself in revolts but in sly individual acts such as punching the ox in the nose to slow it down in the furrows in order to make the work less exerting. At other times, they underhandedly spat or urinated into the landlord's dish as a way of releasing their frustration. They cheated and thieved whenever they could to squeeze out just a bit more for themselves.

The delayed and incomplete emancipation of serfs in Hungary followed by the partition of minor landholdings into tiny lots providing no independent subsistence rendered the majority of the population vulnerable, and thereby made the servile mentality prevalent. The servile subjects would expect everything from overlords or the government, while barely ever acting on their own accord and seeking every possible opportunity to steal and cheat. Neither trusting, nor cooperating with anyone, they would attempt to improve on their fate by private bargains, bootlicking, jostling,

or, in a pinch, by fleeing. The state socialist system's adversarial practice toward private property did not alter this mentality, and only the regime change of 1989 enabled the more visible presence of autonomous economic actors, on the one hand, and the rise of bourgeois/civic ethos and values, on the other. Despite these developments, such actors did not appear in large enough numbers. In the same vein, while the emergence of a bourgeois/civic consciousness became perceptible, it has not grown robust enough to override the prevailing mindset of servility. Nonetheless, it was evident that, with the ever increasing presence of autonomously thinking and acting citizens, their power would, after a while, jeopardize the dominance of the "mafia" preparing to colonize the country. Therefore, the power elite set the goal to break down both the citizens' sovereignty and free thought arising from their education and access to information. Moreover, the two aspects of the task had to be carried out simultaneously, since actors independent of the state would be the basis of free thought and civic courage. To prevent that from happening, new generations of subjects (of the state) had to be raised with the help of obedient educators. I am describing the scenario of the past five years starting with the reign of the second Orbán government. In the following sections let me examine the means by which these goals have been pursued.

Creating a Climate of Fear

The state-controlling mafia did not lay down the foundation of obedience through policies but by planting a general idea in the public that, essentially, whatever the truth is, it does not matter. Legality does not matter either. The Godfather and the Family will act as they please. This overall sense evolved through numerous smaller incidents. Let us see a few of them.

In the wake of the 2010 disaster of the alumina sludge spill causing ten deaths and ruining three localities almost completely, private citizens donated altogether HUF 1 billion to aid the victims. The mafia government simply pocketed the entire amount, thus sending "us," citizens, the message that "we" are unable to control even our own donations. "They" can do whatever "they" want to "us." This was a big blow on society's fledgling civic activism and solidarity. The message was heard, as a result of which, in the wake of the big flood of 2013, only one-third of the amount collected three years earlier could be raised on the nationalized account for donations.

Assisted by the attorney general, the police or the NAV (National Tax and Customs Administration), Viktor Orbán undid or took to court the individuals who revealed the mafia's shady dealings or anyone else standing in his way. During his government's first cycle he removed the stubborn president of the Hungarian Soccer Association from his position with help from the NAV. By the time the accusation of his tax evasion proved to be groundless, following a long ordeal, his enterprise had fallen apart. No reparations have been paid. Orbán brought to trial Ibolya Dávid, the leader of the Hungarian Democratic Forum—the coalition partner of the first Orbán government—for uncovering the illicit surveillance to which she had been subjected. A tax expert, András Horváth, suffered harassment by the police for unveiling a fraud of HUF 1 trillion on sales tax which the NAV had tried to cover up.

In reaction to unseating Fidesz's corrupt mayor in the 2010 elections, the residents of the city of Esztergom had to endure a four-year-long paralysis in municipal life by the local, Fidesz-led parliament, which acted in accordance with the wishes of their party superiors. Street lighting, public transportation, and the provision of school meals faltered, and the government was unable to pay the salaries of teachers and other public employees. Orbán thus communicated the message that his will would prevail in the country and that those who objected would be punished. He succeeded in arousing fear. People came to the conclusion that, if the man is capable of hurting an entire city without remorse, he would not stop short of destroying anyone on a whim. Thirty thousand people were retaliated against, but ten million received the warning. In the 2014 countrywide election campaign, Fidesz made no secret of its intent to support only the cities that vote for Fidesz candidates.

Effective punishments, however, demand the use of rewards as well. Loyalty to the Godfather can help one get away not only with minor scams but frauds and felonies as well, anything from robbing a neighbor of their forest, stealing a shepherd's manure—worth HUF 500,000—to being unable to account for the funds used to purchase a property—worth many million forints. Other sycophants of Orbán could dodge retribution for applying public funds to paving the roads to their own property, being on the wanted list of an international police force, brutally battering their spouse, falsifying their university diploma, or plagiarizing their dissertation. If the case was too severe, Orbán would sacrifice his crony at the altar of public opinion but he would not let him fall too hard. At worst, his

or her service would be relocated from the mafia's political department to its business subdivision hidden from public scrutiny. A case in point is the party director who was indicted for continued misappropriation of funds resulting in excessive losses to the party. The city of Kecskemét's mayor is another one. Orbán's sycophants are confident that they can do as they please for they will not be prosecuted, will not be questioned by the police, and will not be left unprotected by the immunity committee of the parliament. Even if they are charged, a specially selected judge will acquit them of any charges or the tax office will decline to audit their finances.

In the general public, on the other hand, the sense of defenselessness has been exacerbated by the plethora of news circulating about a growing number of governmental lists of citizens classified as friends or enemies; of pictures and video recordings of street demonstrations used to identify the politically disloyal who may later lose their jobs. (It would be no surprise if Fidesz's PR team is one day revealed to have been the source of such stories!) More and more people believe that "they" keep track of us, "they" know everything and will eventually retaliate. The results of such suspicions are palpable. The average age of antistate protestors is close to sixty. The various dissenting petitions are only signed by retirees, the unemployed, students, and independent individuals on whom Fidesz has not yet got a grip.

All these small incidents have added up to produce obedience resulting from a general climate of trepidation and apathy. Not only are citizens reluctant to participate in demonstrations; they do not vote, either. In 2014, in both the parliamentary and local government elections, the low rate of participation was a record breaker.

Parallel to creating an air of fear, the government resorted to policy tools in an effort to deviously give away control over public education to the churches, to reduce social mobility, to eliminate institutional autonomy, and to curtail the budget allocation to public education.

Giving Away Public Education to the Churches

Having been schooled before 1989, Viktor Orbán and his general staff made effective use of the precept widely propagated in the communist era that religion is the opium of the people and that the Hungarian Catholic Church had always served as a pillar of oppressive powers intending to keep the masses in the dark. The youths bringing the holy men to their knees—that

is, the Fidesz youths of the olden days—may have sneered at the pacifying evangelical teaching that encouraged acquiescence in stating, “Blessed are the poor in spirit, for theirs is the kingdom of heaven.” Later they realized how effectively the altar and the throne had collaborated over the centuries. So why not utilize the accumulated knowledge of this collaboration? This required bribing the altar, but Fidesz was not tight-fisted in doing so. They also figured that, in order to solidify and ensure their own long-term sway over society, they will need masses of ignorant subjects incapable of orienting themselves in the world, and this could be accomplished by spreading misinformation and devaluing knowledge on a national scale, in other words, by brainwashing the public.

Since neither Orbán personally, nor his party, had the “expertise” to devise a detailed, nationwide plan for dumbing down the public through the spreading of misinformation, he franchised the entire educational system to the Christian Democratic People’s Party (KDNP), whose educational policy makers did a good job establishing a unified national curriculum, writing standardized textbooks, and fashioning a unified educational management system. Furthermore, they reappropriated for the churches as many public schools as they could, while nationalizing others. All of this was necessary to ensure control over the content and quantity of the material to be taught in every school in the country. In the vocational high schools the plan was finalized by removing, in effect, the general knowledge subjects from the curriculum. According to the president of the Hungarian Association of Vocational Education, these youths are to become “throwaway, disposable skilled workers unsuited for advancement in their careers.”¹ The radical revision of the curricula of other types of schools has been delayed, but the class times allotted to different subjects have already been rearranged. Those requiring active thinking as well as foreign language classes were cut in favor of subjects that need no active thinking, such as daily physical education, or in favor of ones suited for indoctrination, such as compulsory religious and moral education.

As early as 1990 the participation of churches in education began to increase, although at the time it was only the former religious schools that were returned to the churches that owned them. Only with the economic crisis of 2008 and the ensuing financial hardships of the self-governments did the process gain momentum, as several localities tried to “save” the schools by placing them under clerical oversight. The Socialist/Free Democratic coalition government attempted to slow down the reappropriation

by stipulating that the self-governments support schools for five additional years with funds previously allotted beyond the centrally set norm. The parliament that came to power in 2010, however, abolished this ruling based on the Christian Democrats' bill which led to an explosion. As a first step, the self-governments run by Fidesz or KDNP were to give away the supervision of eighty-two schools to churches.

Table 1.
Distribution of Figures in 2012–13 as a Percentage of the
Distribution during the Academic Year 2009–10*

Type of School	Schools Run by the State or Self-Governments		Schools Run by Religious Institutions		National Average	
	Change in the number of educational institutions	Change in the number of students	Change in the number of educational institutions	Change in the number of students	Change in the number of educational institutions	Change in the number of students
Elementary School	– 8%	– 10%	+ 74%	+ 77%	– 2%	– 4%
Vocational School	– 5%	– 15%	+ 142%	+ 149%	+ 11%	– 9%
Grammar School	– 11%	– 11%	+ 32%	+ 16%	+ 3%	– 6%
Vocational Grammar School	– 7%	– 14%	+ 122%	+ 184%	0%	– 7%

* Calculated data are based on the educational yearbooks published by the Statistics Department of Ministry of Human Resources and the *Statistical Mirror: Educational Data 2012–13* published by the Central Statistical Office.

Between 2010 and 2013 in every educational institution formerly run by the self-governments (and now run by the state), the drop in the number of students exceeded the average, whereas the number in the clerical schools increased strikingly, despite the nationwide decrease of students in all types of schools, as shown in the last column of the table. Regarding further studies, the case of grammar schools is of special importance. Parents who wish to have their children receive an education that is free of religious indoctrination find themselves in an increasingly difficult situation, given the 11% decrease in the number of state-run grammar schools and their students, exceeding the drop in national averages, as opposed to the soaring

number of clerical grammar schools. The growing presence of clerical schools furthermore is paralleled by more generous subsidies supporting them. By 2014, clerical schools—mainly the ones belonging to the Catholic Church—had overall been subsidized more generously than state public schools. Following a call for proposals posted on 23 December 2014, an additional funding of HUF 2 billion through the European Union was granted exclusively to clerical schools.² To predict the consequences of this trend is not hard. Years of increased funding of clerical schools in comparison to state schools will entail higher salaries for teachers and staff and improved conditions of teaching which in turn will result in students' perceivably better academic performance. And, as is typically the case, even nonreligious parents seeking quality education for their children will enroll them in clerical schools. It is merely a matter of time to alter a child's worldview, once he or she is inside their walls. And parents who insist on controlling the ethical and philosophical education of their kids by no means ceding this task to a church will have to contend with a second-class state educational system.

What started out in elementary and secondary education has now rolled over into higher education. Whereas the rate of governmental subsidies for public universities and colleges dwindled from HUF 186 billion in 2009 to HUF 126 billion in 2013, and each year ended with curtailing these schools' own budgets by billions of forints, the clerical institutions have suffered no such budgetary decrease.

Shrinking Social Mobility

The new ruling elite generated by the Godfather wants to play it safe. Wealth accumulation and the brainwashing of the masses will not suffice. They also have to avert the risk of talented young people with different social backgrounds, life experiences, and values moving up into their ranks and potentially contest their power. The likelihood of such a development had to be minimized, and whatever it took to ensure that obedient servants populate the country had to be done. Thus the following measures were introduced: first, the age of compulsory schooling was dropped from eighteen to sixteen; second, vocational training was "dumbed down" by removing subjects that cover more than the basic competencies required for graduates to fill jobs³; third, the Bridge Project was launched, which young people complete without receiving any diploma⁴; fourth, grammar school

education preparing students for college and university was reduced⁵; and, fifth, tuition in higher education (called “educational cost coverage”) was raised to unreasonable levels.

The phenomenon of narrowing down social mobility is far from new. The large-scale upward mobility administratively encouraged after 1945 slowed down in the era of the Kádár regime’s consolidation before its reversal and momentous stalling after 1990. With the spreading of six- and eight-year grammar schools, secondary-level education grew increasingly segregated. In 1974, 48% of students studying in grammar schools came from families where the father was a manual worker; in the 1997–98 academic year, this number dropped to 22%. More alarmingly, the percentage of students from blue-collar families in the six- and eight-year grammar schools, which offer better chances for higher educational studies, was a mere 7%.⁶ This trend was further aggravated by the decrease in the number of seats in grammar schools. A few additional factors deeply affect social selection. At the college admission exams, students whose parents could hire tutors or had their language proficiency—required for admission—obtained in Britain, North America, France, or Germany will likely outperform students from less affluent backgrounds.

In the past fifty years, children of families endowed with merely cultural—that is, not economic—capital had a chance to go on to higher education. Even low-income professional parents caring about their offspring had the reassuring sense of being able to provide a future for them via emotional and intellectual investments. But from now on, it will be, predominantly, the children whose parents can purchase the services in the educational free market that are no longer available from public elementary schools who will take the smaller number of seats in grammar schools, the only institution preparing students for college. This socially filtered elite group will then provide the cohort to fill the reduced number of places in higher education. Higher education, then, will be free for those who had the means to improve their performance by costly extracurricular classes, whereas the expensive college seats will be held by students of lesser abilities but from well-off families who can pay the tuition slyly denied by the administration. In other words, both categories will come from the well-off social strata. The family’s cultural capital will be valueless unless coupled with economic resources.

In the Rákosi era, the descent of the middle class was merely economic and it could be reversed in the next generation. All the while the middle class retained its cultural capital.⁷ The Orbán regime is about to perfect the

predecessor's strategy by unsettling the middle class culturally as well, rendering its rehabilitation impossible.

But this may not be the severest problem. There will surely be a new professional elite and a new middle class, although the squandering of cultural capital accumulated in middle-class families is a major social loss. An even more serious loss, however, is the squandering of talents not only among these children but also among the larger social strata situated below the middle class. Those children will never be able to realize their true potentials. Why so? Because they happened to be born into the "wrong" social positions. This is the most brutal consequence of the educational system taking shape at present.

Nationalization and the Elimination of Autonomies

Whether it worked efficiently or inefficiently—and, mostly, the latter was the case—the educational system enjoyed some autonomy which the institution, the educational staff, as well as the parents could use. Schools had the freedom, even when not taken advantage of, to devise curricula based on local needs and the needs of their students. Teachers had the opportunity to choose the appropriate textbooks and adopt the teaching paradigm that worked for them, even if they rarely took advantage of such freedoms. The institutions and the educators were merely constrained through evaluations of their output via competence tests, performance examinations, and quality controls. From now on, they are to work with a single centrally designed compulsory curriculum and one or two selectable textbooks.

Teachers, until recently, had the discretion to manage their own time outside of the classroom preparing for class, grading papers, and educating themselves. Now that the required number of hours spent in school was increased to thirty-two per week, fewer hours will be left for such activities, since time off from the classroom will be broken up into useless bits and pieces. In addition, schools tend to lack the physical conditions for class preparation or intellectual enrichment. The crowded faculty rooms can barely be used for anything beyond superficial grading of papers.

Parents in the past had the latitude to decide whether their child should begin grade school at age six or a year later. No rule necessitated the child's examination by the district educational council or by an expert and

rehabilitation committee—a great deal of unnecessary effort and fuss for parents to correct, to some extent, the rigidity of the educational system. The new regulations will take away this parental freedom, too.

Revamping an already inflexible system into something more rigid has a mission to accomplish—of brainwashing—and it is more effective if students' breathing space is completely done away with, in other words, more and more of the students' time is nationalized. Even in 2002 the student workload was excessive. A grade school kid aged nine or ten spent almost as much time with school-related tasks in a week as the adult did in a full-time job with officially set hours. Beyond the eighth grade students' "prescribed working time" topped the adult standard working hours per week, rising to over fifty hours. Yet, studying is but one of the various activities kids must engage in, not to mention their need for rest. Orbán's new educational regime dismissed all the relevant knowledge which modern pedagogy, developmental and educational psychology, or medicine have piled up by the twenty-first century. Starting with the 2013–14 academic year, sixth grade and older students have endured longer work weeks than adult employees. This has been reinforced by the nationalization of students' free time through compulsory stay on the school premises until 4 p.m. with police supervision, as appropriate to the spirit of the place.

Formerly, parents had the legitimate choice to determine how much time their child should spend in school, aside from the classes. From now on they will have to lie to do so. The system is set up so that the school, which cannot offer meaningful all-day activities, will only release a captive for the afternoon provided the parents ask in writing that the student to be excused in order to engage in another approved activity. This game, in fact, is an inherent part of the Orbán regime and a child cannot begin too early to socialize into its moral codes. The regime's slogan would be that "We will let you lie so that you can survive but, we will keep you anxious about being caught, which may happen whenever we deem it necessary."

The institution responsible for nationalizing public school and governing its life is the Klebelsberg Institution Maintenance Centre (Klebelsberg Intézményfenntartó Központ [KLIK]) whose long-reaching arms are the educational district directorates. The directors of the educational districts are faced with the crucial and tremendous job of keeping in check 97,000 teachers—the largest group of the intelligentsia—employed in state-run schools. (The teachers in clerical schools cause no headache, as they are managed by the churches. However, the private and founda-

tion schools, the last bulwark of free pedagogical spirit, are close to being smothered.) Decades of selection of the unfittest have had its ruinous effects on the quality of the educators' community, but it still stands unparalleled as the largest professional group armed with intellectual resources and thus capable of independent thought. Given their social role, teachers moreover influence hundreds of thousands of others. The way they do it matters a great deal. So does the choice of their appointed capo.

Monocentric power structures, exemplified by the Rákosi and the Kádár regimes, cannot function without maintaining a list of supporters and keeping a close eye on their records in order to best know how to deploy them to achieve the goals of the regime. In the communist era this list was called the "plan of cadre development." The foundation of the Orbán regime's cadre development plan started with those who were clearly intimidated by the regime. It was supplemented by the names of people associated with civil organizations that fawned over the prime minister. Names were also gleaned from loyalty pledges signed by thousands of professionals, such as the one that ran "We, the undersigned of this statement, express our belief that Viktor Orbán is the most outstanding politician of twentieth- and twenty-first-century Europe." Lists of enemies of the regime gathered the names of those who signed protest petitions, participants at demonstrations that had been video recorded, and those who had been identified as dissident types through the monitoring of Facebook posts. Therefore, the regime functionary who was asked to select directors of an educational district could easily ensure that the positions would go exclusively to trustworthy cadres. The important job of this functionary was to safeguard the selection process for any and all appointments, right down to the bottom of the food chain, so as to guarantee that the system was completely airtight and operated without obstruction.

It was more than a year ago, as of writing of this chapter, that the state secretary in charge of public education appointed all the 198 district directors. His ministry (or its creation, the KLIK), however, still owes the directors' introduction to the public. No information has been available for the community members about the background, professional competence, and previous accomplishments of these individuals, who will, in effect, determine how the children will fare in the school system. In the absence of official material, I resorted to tidbits of information found on the Internet to reconstruct the reasons why these district directors were selected for the post. It is not a negligible amount of information, but less than sufficient

to piece together the whole picture. The number of districts is 198 but I collected data about altogether 200 directors, given the fact that two of them have already been replaced. There were relatively few (merely 14) individuals about whom I was not able to glean information.

Considering Orbán's one-upmanship, I hypothesized that the candidate's loyalty to the prime minister and his policies weighed more seriously in the selection than his or her expertise, and there will be apparent indications of that loyalty. These could be detected in the candidate's relationship to the churches, the Fidesz/KDNP Party coalition, and progovernmental civil organizations. The group of thirteen people transferring from clerical schools thus leaves little to analyze. Their dependability is unquestionable. In the same vein, no explanation is necessary to account for the appointment of the six persons who became district directors without ever being involved with education, having worked as professional Fidesz politicians: mayor or president of a county's self-governmental committee. Again, their loyalty is beyond any doubt. The largest group (eighty-five people) came from self-governments' educational boards followed by a group of former principals or vice principals (seventy-four people).

Taking into account Fidesz's staffing policy with its penchant to replace even a receptionist of the "wrong" party affiliation, we may be certain that in the Fidesz-run mayoral offices no left-leaning or liberal individuals would be allowed to stay. Indeed, scarcely any cities have been run by them over the past eight years. After 2006, 24% of the cities could be categorized as left-liberal cities, dwindling to a mere 5% after 2010. Of the capital's twenty-three districts all but one came under Fidesz control. In the mayoral offices, the employees of the variously named educational boards had already been subjected to a rigorous filtering. On the ground, everyone, of course, would know why one person recently appointed as educational district director had earlier been hired to the board, with his wine cellar designed for entertainment, featuring an illuminated map of Greater Hungary and a Turul bird clutching a sword beneath the slogan "Relentlessly." Another appointee, whose "expertise" rested on being a past secular chair of the parish, would barely raise an eyebrow; neither would another candidate, who happened to be the mayor's life partner. Only by accident can the researcher find such information on the Internet. But even if one cannot find out anything about the people involved, there is no reason to conclude that the appointee had not passed the loyalty test. All my findings pointed in the same direction. In a group of eighty-five former educational board employees, eighteen exhib-

ited signs from which a superior could infer their commitment to the right wing, such as filling a church function; membership in Fidesz or KDNP; being a spouse of a Fidesz politician; putting up a Székely (Szekler) flag in one's home; membership in the so-called "civic circles"; or signing a loyalty pledge, as mentioned earlier, for "Europe's most outstanding politician." While it might be possible, when researching individuals online, to stumble onto such signs of dedication, it is hardly a coincidence that I could not find a single district director who displayed signs of left-wing leanings.

Since 1990, the selection of principals has never been entirely impartial, irrespective of the political colors of the self-governments. Nonetheless, while right-leaning teachers had a chance to be promoted to principal during the era of left-dominated government, in the Fidesz era their left-leaning colleagues faced zero chance of achieving that.⁸ People who were already principals were also screened meticulously. Their political leanings are obvious to anyone in the local community, such as in the case of one head of the educational district, formerly the principal of the elementary school, who was also a Fidesz party representative of the self-government; the former grammar school principal who was also a Fidesz representative in the self-government; or the head of an elementary school, who, besides being a Sunday school teacher in a Roman Catholic parish and a member of the church council, served as a Fidesz representative for the self-government. The apparent coincidences form a distinct pattern. Of the seventy-four principals mentioned earlier, twenty-six exhibit markers of loyalty useful for superiors to see, such as the following: municipal or county representation of Fidesz or KDNP; authorship of a study about the prevalence of "backward archery" among nomadic peoples; membership in a civic circle; belonging to a (Facebook-like) group named "I Am Hungarian"; organizing a concert for Advent day; putting on an exhibition and presentation about "My Experiences in Székely Land;" joining the National Association of Large Families; serving as presbyter in a church. None of the former principals among the district directors has run for office under MSZP colors or signed any of the numerous protest petitions circulated on the Internet.

The most significant task of the carefully chosen educational district directors is to force schools to work properly. The three means by which they meet this challenge is, first, by appointing the proper principals, second, by intimidating the teachers, and third, by driving away the recalcitrant from the field. As I have shown, the Fidesz-led self-governments have a history of selecting the "right" principals; therefore the nationaliza-

tion has brought little change. The other two tools, on the other hand, are newly developed and highly effective weapons. Previously, when schools operated under the self-governments' umbrella and the principals had the authority to hire teachers, they had the option to switch to another school in case they had a run-in with the principal or did not like the climate among the faculty. This was no different even during the state socialist era. In contrast, since teachers of all state schools of the country worked for a single employer—KLIK—their "inappropriate" acts would cause them to be axed from teaching. If their field does not allow them to earn a living elsewhere—and all but foreign language teachers would be in that situation—they will end up unemployed with no recourse to reenter the job market. At times, even teachers who have never acted "improperly" but simply are suspected of "thinking wrong" can find their job endangered. For instance, it is a sufficient reason to fire a teacher for being a socialist mayor in the village in an earlier election period. Having a sibling who is an oppositional politician would suffice, too.⁹ This state of affairs resorting to pedestrian methods, however, did not last for long because the National Teachers Chamber (NPK) came into being.

The manner of setting up the NPK follows a logic similar to that of collecting protection fees. The clients are told to pay and, in return, feel their position is secure; if they refuse to pay, they should be ready to leave their job. What is distinctive in our case is that no thugs actually need to visit the teachers. The teachers simply have to join the NPK. Failing to do so will cost them their positions.

In obliging the teachers to join the NPK, the administrators did not even pay lip service to lawfulness. In September 2013 every educator had to sign a statement wherein they agreed to be members of an organization that was not yet even in existence (the NPK was formed in the summer of 2014). No one knew anything about this organization-to-be or what exactly it would be like, or who its leaders would be, or what its mission would be. Observers were certain that a code of ethics for educators was in the making—the standards which teachers would have to observe via taking a loyalty oath modeled after currently existing ones, such as the one that ran "With all our capacities and according to our best knowledge, we will strive to realize the goals set by our lawfully elected or appointed leaders in a manner conforming to their directives." The teachers were also certain that the violation of the code of ethics would result in disciplinary procedures against the offender. What nobody knew was what would be deemed a vio-

lation, although the draft suggested that it could be anything at which the leaders appointed from the pool of trustable cadres would frown. This would probably include any critical comments about the principal, the school, the assigned textbooks, the curriculum, or the educational regime. Since the sanctions for violating the code of ethics were not yet published, few would risk voicing criticisms that could be construed as “ethical violations.”

Teachers staying in the profession will not fare any better than those driven away because they are deprived of their assets. A so far unprecedented and shrewd item in the government’s toolkit of eroding autonomies is the taking away of an educator’s most valuable asset, her or his knowledge. Not only has the mafia confiscated and redistributed physical properties such as the tobacco shops, for example, but they have done the same with properties acquired as a form of knowledge. Over the years, the majority of teachers have invested seriously in their professional development in the hopes that, like every other investment, it would yield returns in the form of increased income. Many of them participated in enrichment courses, obtained a second or third diploma or an advanced academic degree, not sparing their money, leisure time, and efforts. With one single decree, the government annulled these assets by creating a new classification system and placing all educators into its bottom category, “Teacher no. 1,” with the lowest salary. It allowed, graciously enough, for them to file for the acknowledgement of their property rights. All the teachers had to do was to prepare a so-called “portfolio”—a senseless and redundant task since all the information about seniority, the diplomas, the certificates from educational development courses, and other professional documents were already available to the school administrators. The magnitude of effort demanded from teachers to complete this unwarranted work is well indicated by the 150 pages of instructions provided for it.

Teachers who met the criteria for advancement and prepared the required portfolio were by no means guaranteed reclassification into a higher category. In 2014, 20,000 applications were accepted, meaning that this number of teachers had a chance to have their knowledge assets returned. Which of these applicants were successful in their bid to enjoy the return of their investment, a 10 to 15% higher salary? Taking a closer look at Fidesz’s human resources policy, we may confidently conjecture that the evaluators drew heavily on the lists discussed above. The portfolios of teachers who did not appear on the list of Orbán’s loyal supporters were left to gather dust for a few years. Among those teachers, it was in fact a waste

of time to compile a portfolio if one was close to retirement age. They lost, once and for all, their knowledge assets. This work was not reflected in their pension, and they were left without recourse to compensation in any form.

The educational administration took no chances whatsoever. Just as the district directors of KLIK, the portfolio “evaluators” were also chosen by the criterion of whether they looked capable of reinforcing a servant mentality, the nationwide production of which is of primary significance. The applicants had to reply to questions like the following: “Have you ever rebelled against authority?” or “Have you sometimes defied rules applying to you?” In these days when the newly emergent school system is replete with bad and worse rules begging to be broken in order for the machinery to function at all, the answer to the last question is particularly important. The most dependable employee is the one who can abide by, and even have others abide by, the most absurd rules, and will not protest against any superiors appointed because of their party loyalty.

Money Rules

Money features in two aspects of my story. One has to do with the shrinking funds of the state budget spent on public education; the other relates how part of the diminishing funds is pocketed by private citizens.

Contradicting the sloganeering, the budget data below give an accurate picture of the significance of education for the Orbán government.

Table 2.
Budget Spending per Student (in HUF)

Year	Preschool/Kindergarten	Elementary School	Secondary School
2010	627,623	609,775	549,194
2011	577,592	584,114	516,076
2012			

Source: Statistical Information, Educational Yearbook 2010–2011 and 2011–2012, EMMI Department of Statistics.

Table 2 shows that, in the first year of Fidesz’s rule, funding per student decreased on all educational levels: by 8% in preschool/kindergarten, 4% in

elementary schools, and 6% in secondary education. (The drop is larger in real value, given that the numbers were not adjusted to the inflation during this period.) It may not be a coincidence that data from 2012 were not published even in 2014. One may guess why. The 2012 annual closing briefing says that “the local self-governments spent HUF 764.2 billion on public education; with 10.3%, that is, HUF 88.1 billion less than in the previous year.”¹⁰ Overall, the funds dedicated to education continued to drop significantly. What we do not know is how it was distributed among types of schools and how much the rate of decrease per student was. We have also no information as to whether clerical schools were affected to the same extent as state schools.

Disciplining minds is but one of the mafia’s aspirations. It also wants to ensure the financial growth of the adopted “family” and, through that, its own security. The KLIK serves not only to impose total control over the schools but to interfere with the markets in which school-related businesses operate. More precisely, legislative means were created and subsequently employed to serve such a goal. And as long as they have it, they might as well use it.

A case in point is the school milk program, an almost HUF 2 billion business a year. According to a brand new ministerial decree, KLIK and the Agricultural and Rural Development Agency will be in charge of all the processes related to the management of the project. In other words, they will determine which producer is going to supply dairy products to all schools. Again, let us remember how the tobacco shops were redistributed and we will have little doubt about the loyalty lists’ usefulness in selecting the supplier. The farmers whose livelihood depends on milk and dairy production but were not too keen to express their party loyalty, may just as well slaughter their cattle, chop up their stables into firewood, sell their machinery for peanuts, and try their luck in a different business.

All purchases that used to be carried out by the schools themselves—of paper stationery through toner to office furniture—from now on, will be taken over by KLIK based on the schools’ orders. In fact, a vast array of items such as hardware, software, office machinery, and video devices will have to be exclusively ordered through KLIK, as well as all services associated with the installation and operational maintenance of the technology and equipment. It is hard to assess how large this market is since earlier these purchases were made by the schools as independent economic units. It is fair to assume it to be several times larger than the HUF 1.7 billion school milk program. No less difficult is to estimate how much is spent

on the employment of the kitchen and cleaning staff. Since the centralization of schools, they have been hired by subcontractors working for KLIK or the self-governments, instead of principals. Thus, for instance, in a grammar school in Budapest all the kitchen and cleaning personnel was replaced overnight. The subcontractors are not so hard-nosed everywhere, however; in other schools they negotiated with the staff and replaced only half of them. No one has any doubts about where these new entrepreneurs appearing with their own kitchen and cleaning staff come from. The only question is whether the cafeteria servers also need to prove their loyalty toward Fidesz in order to be hired.

The “Fruit for Schools” program, 69% of which is financed by the European Union, has been revamped as well—a HUF 9 billion business per year. Starting in 2009, this program allowed the schools, up until January 2013, to choose their contractors. One essential condition was set, namely, that the suppliers of the fruit had to be producers rather than retailers. Since the centralization of the school system, contracting the suppliers has also moved under the purview of KLIK. But the institution felt no inclination to consult the loyalty lists as it would have required meticulous work; or perhaps KLIK’s management preferred to pocket the profits instead of letting the sales agents get rich. So they came up with a Fidesz-style procurement tender the prerequisites of which all but one company met.¹¹ The large number of small producers previously supplying the vegetables and fruit could by no means do so. This was the Hungarian Fruit-for-Schools Ltd., started just a few weeks before the tender’s posting, in which a certain person was intensely invested. This person had served as the Fideszist mayor of a village, a member of the parliament, a ministerial commissioner in charge of popularizing fruit and vegetable products, a directorial member of the Sprouting Department of the Fruit and Vegetable Product Council, president of the Hungarian Watermelon Association, and, on top of all this, the councilor of the episcopate in the Greek Orthodox Diocese of Hungary! This same individual gained a degree of notoriety for having state employees work on his own farm paid from public funds. In more than one respect, he was an out-and-out Fideszist cadre.

As it happened, too many successful mafia-style procurements caused the company to become too complacent and self-assured to proceed with caution, and doing away with the usual protocols, they got to the point immediately. Fruit-for-Schools Ltd., the only company meeting the prerequisites specified in the tender, did not even wait until the results of

the contest became public. Right after the tender had been posted, they emailed the producers interested in the fruit program to let them know that, in exchange of 10%, they would be welcome to work as subcontractors.¹² (In other words, the company demanded 10% protection money from the producers to continue in their business. Otherwise they might as well just cut down their fruit trees.) This caused such an outcry that in no time KLIK withdrew the procurement tender. Considering how creative the mafia can be, one would expect them to come up with a less transparent scheme to pump money out of the project.

A much bigger market is the school meals program, an estimated HUF 200 billion business. Until the centralization of education, schools were free to determine how to run their meal programs. This market involves a large number of locations—headquarters, cafeterias, kitchens or heating facilities—all of which is further complicated by the extensive clerical work related to the provision of daily meals to a large number of students. As this market was much more complex than the types of products and services discussed so far, wrapping up the sector would require an unprecedented degree of effort. As a result, by January 2013 it was only possible to arrange an intermediary solution, one that entailed transferring the function of providing meals from the schools to the self-governments. The problem was that comprehensive centralization of the market would cause even more disturbance in the operations of the schools than was understood. Meals were essential to the daily functioning of the schools; other components—take the example of textbooks, which are discussed in more detail below—were not. Confusions and delays in regard to textbooks can be handled by a school, since it was possible for a school to function, at least for a while, without textbooks. But without breakfast, snacks, and lunch, schools cannot function for more than a few days. It may be that the attempted centralization of meal provision will not go further, due to the potential chaos resulting from it. However, with Fidesz's dominance of the majority of self-governments, nothing will prevent mafia rule.

Multipurpose Incursions: The Textbook Market

Textbook publishing and distribution represents yet another yearly HUF 17 billion market. However, it is more complex than all the above discussed areas in that its restructuring serves multiple purposes besides pumping

out money. Therefore, it needs an ideology. A government decree states that “for a more effective realization of national public education the quality of textbook supply has to be further improved, and students must be provided with textbooks of consistently high quality. In order to accomplish this, a system of textbook development and production has to be created in public education built on unified principles and requirements as a centrally planned state task to be performed outside of the marketplace.” (Government decree 1662/2013. 9/20) This decree is altogether false. If any correlation between the quality and the mode of textbook production can be ascertained, it is of the exact opposite. Textbooks produced in a market-based industry will conform to higher standards than those published by a state-run system. Neither is it correct to assume that only state-run textbook publishing would ensure unified principles and requirements, since the fundamentals are established by state-developed curricula, and the books are examined and approved by an apparatus set up by the state, based on criteria also specified by the state. Certainly, the quality of textbooks can always be improved, but it hardly necessitates the nationalization of the industry. It would merely require the revision of the criteria by which textbooks are approved.

The ideological stab is far from coincidental, considering that three purposes were to be accomplished. The most essential is brainwashing, the preeminent site of which is the school system and the appropriate age being school age. Neither book publishing, nor distribution would have to be nationalized to reach such a goal. The minister, after all, was free to approve a textbook close to his or her heart, and then get the publishers to compete to publish it and let the distributors do their job as usual. But there is a second purpose for the incursion. Across the approximately sixty textbook publishers and seventy book-distribution companies several thousands of individuals work and they do not depend on the state for their livelihood. Additionally, these autonomous individuals are mostly members of the intelligentsia of the most educated kind, capable of independent thought, and not easily intimidated. A sizable potential threat to the Orbán mafia! Their livelihood should be eroded, and those who are amenable must be turned into vassals. The rest of them should perish! Lastly, the third purpose of the incursion is the acquisition of the HUF 17 billion business. After all, every schoolchild must purchase textbooks.

The textbook market was nationalized according to a well-planned scheme. Since getting the merchandise to the consumer—that is, com-

merce—tends to be in a dominant position over manufacturing, the distribution of textbooks was targeted first. Over the past twenty years, with no antecedents, a well-functioning textbook-distribution network came into being as a result of an organic development made possible by the allowing of entrepreneurship. A systematic order of textbook supply evolved ensuring that kids would have their books available, without delay or shortages, at the start of the academic year.

Let us see how the system worked. Distributors set out to visit schools in every October to showcase the publishers' new products and to leave sample copies with them. By January, the schools were able to decide which books to order. By the end of February, they submitted the orders to the publishers on the Internet portal called Informational System of Public Education (KIR). Publishers tracked the volume of orders on KIR and, as early as February, sent orders to the printers, who in turn started preproduction. When the demand for the number of copies was finalized by the end of June, only the extras had to be printed. By 15 July all the books were out and the distributors had sufficient time to deliver them to the schools by 31 August. After the delivery, payments were collected and forwarded to the publishers, which paid off the printing presses. The entire cycle was completed by 20 October. By the end of the month, the process was completed and the cycle could be repeated all over again.

The gluttonous Orbán administration severely messed up this system by nationalizing the textbook distribution process in 2013 and delegating it to Library Supply Priority Public Nonprofit Ltd. (KELLO)—a company which had not even been able to cope with the much smaller project of library supply, owing hundreds of millions of forints to domestic and foreign publishers. As a first step, its entire management was fired only to be replaced by the staff of a failed Fideszist mayor. The CEO of a company formerly owned by the city became the new executive director. The ex-mayor's chief-of-staff, who happened to be the sister-in-law of the parliament's Fideszist president, became the new technical director, also in charge of education and communications. The wife of the city's Fidesz fraction leader filled the position of general administrative manager. The mayor's former press officer and the former vice president of the local Fidelitas—Fidesz's youth affiliate—each landed a position, although KELLO's web page does not specify which ones. Two shared features of this team stand out as making them eligible for their respective jobs: first, their affiliation with Fidesz, and second, their lack of background in the business of textbooks.

Instead of trying to familiarize themselves with a new area of expertise, the freshly appointed management immediately jumped into the middle of things. They sent out a contract to the publishers stating the latter's obligations but not their rights. Also missing from the contract were the date when KELLO would pay for the books, what sanctions nonpayment would entail, and the extent and deadline of contract modification and return the publishers would have to accept. The National Association of Textbook Entrepreneurs (NATE) criticized the incompleteness of the contract.¹³ In response, on 18 April 2013 the State Secretariat in Charge of Public Education issued a press communiqué stating, among other things, the following:

As of today, a few textbook publishers have neglected to sign the contract. Since the publications developed by them and approved as textbooks are listed on the official directory of textbooks, this may cause disruptions... In the interest of secure supply, the state secretariat will take measures to replace the books of nonsigning publishers with books produced by other publishers acting in conformity with the rules. In order to settle the problem, the State Secretariat in Charge of Public Education is willing to meet and negotiate with the involved parties on 19 April.

The mafia gave one day for the "interested parties" to rethink their lack of compliance, and, in order to prevent an even larger loss of income, they all signed the contract. To maximize its control over the publishers, KELLO withheld the information of how many books had been ordered by the schools until the last minute. The publishers then had the option of either taking the risk of going ahead with preproduction in order to ensure the books' availability on time or wait for the official order from KELLO. They received the order in early April instead of at the end of February as usual. In addition, the new contract considerably shortchanged them. First, the distribution margin was raised from 15 to 20%, yet it offered worse deal by requiring the publishers to cover the cost of book delivery, a new obligation. Furthermore, rather than delivering the books to a single location, where KELLO staff would assemble the packages to be sent to each school, the book publishers themselves were required to deliver their books to seven regional warehouses assigned by KELLO. This entailed an additional amount of logistical work to be done by the publisher (something that had previously been done by the distributors) for their 15%!

There was even more on KELLO's menu to discipline and squeeze the publishers, who started printing in accordance with the final orders received in early April. A week later a new "final" order arrived which was significantly smaller (in some cases by several thousands of books) than the one delivered the week before. As it turned out, the earlier order had had a computational error in it. By then the publishers could not cancel the original order, so the extra copies of the books were printed and have been gathering dust in their warehouses ever since. No compensation was offered for the losses resulting from the faulty order. This loss was exacerbated by the peculiar interpretation KELLO gave in the contract to the notion of 10% return. According to the earlier practice, this meant 10% per book, and returns were caused by students leaving the school where their books had been ordered. This time, however, all the copies of some textbooks were returned to the publisher! As it happened, in the summer of 2013 the Institute of Educational Research and Development (OFI) unexpectedly released an integrated textbook for the vocational schools and had it distributed free of charge to the students. As a result, several items ordered from the publishers became superfluous and were returned in their entirety in December with the explanation that they would fall under the permitted 10% return of all ordered books.

Overcoming all the hurdles and absorbing their losses, the publishers and the printers managed, with extraordinary effort, to produce the textbooks on time in 2013 as well and had them delivered to the seven specified regional warehouses by July 15. The next step for KELLO was the execution of nationalized distribution. Before the books had landed in the warehouses KELLO gave little thought to the problem of how the books would reach the schools. But as soon as the books were available for delivery, KELLO immediately realized that it was too much of a challenge. They hired low-wage student workers in the warehouses to assemble the packages to be sent to the schools, then quickly wrote a procurement tender for the former distributors who had lost their jobs. Those who had not yet liquidated their companies applied and offered to deliver the books for minimal remuneration. What other option did they have in their vulnerable situation, tamed, as they were, by the apparatus?

These workers also faced the entirely unreasonable innovation of the KELLO planning team to address the packages to individual students. The National Association of Textbook Entrepreneurs warned that this idea was a recipe for disaster, but no one listened. Several negative consequences

followed from this plan, the most important being that it increased the distributors' expenditure. First, KELLO stipulated that only plastic bags that had been ordered and sold by them were acceptable for the packaging. Instead of locating the best deal (bags costing HUF 6.7 each), the distributors had to purchase KELLO's pricey plastic bags for HUF 30 each. (One wonders which subsidiary of the mafia pocketed the HUF 29 million in extra profit for these nylon bags?¹⁴) Second, the increased cost was due to the fact that KELLO compelled the distributors selected through the procurement tender to purchase a license for the IT system that had been specifically designed for this purpose (HUF 6 million each). This IT system then failed the very first week when the textbook orders were entered. (In contrast, the distributors had had their own well-established and smoothly functioning software which had been in use for many years.) Third, the distributors' expenditure grew because the pallets could only be loaded with half capacity, doubling the cost of transportation. Under the previous system, the books packaged by the printing house could be arranged to fill an entire pallet. Now, with the new arrangement, the individual packages of differently sized books wrapped in slippery plastic bags could only fill half a pallet safely. Another negative consequence was the many errors made by the inexperienced student workers assembling the packages. These were not noticed before the students opened their packages in the school. NATE's prognosis proved correct in that the 2013–14 academic year kicked off with chaos in the book supply. In one secondary school the twelfth graders' literature textbook was delivered as late as March 2014, merely two months before the graduation exam.

If efficient and timely distribution was not within KELLO's competence, its plans nonetheless included techniques to keep the publishers, the printers, and their contractors' families in a state of uncertainty and bring them to the brink of bankruptcy. Prior to the nationalization, the publishers collected payments from the parents at the time when the books were distributed and instantly dispatched them to the publishers. By 20 October of each year the outstanding charges had been settled, including those of the returns. In contrast, KELLO obliged the parents to pay for the books during the summer break. Yet, the contract set the deadline of paying off the publishers at 31 October. (How could the publishers have challenged the terms of the contract?) This way, KELLO was sitting on several billion forints for four months and it still did not meet the deadline of 31 October. (And, of course, during this time the publishers were not able to pay off

the printers' bills, either.) Finally, the payment arrived in November but only 90% of the total was paid because KELLO withheld the remainder for returns, despite the different arrangement specified in the contract. But why indeed would a state-run monopoly care about a contract? Especially a contract with property owners referred to in Orbán's ideological discourse as "capitalist villains" who would want nothing but the profits! Consequently, as late as January 2014 at least one publisher was still owed tens of millions of forints.

In the meantime, the publishers had to endure more trials, starting with the implementation of the new curriculum framework in January 2013. This meant that books with permits that were still valid had to be revised and reapproved. The fee for the reapproval ranged from HUF 500,000 to 800,000, depending on the book's length. The fees were paid and new permits (valid until 2018) were issued—despite the fact that a new bill was in the pipeline that would restrict the use of textbooks to those published by the state starting in 2014.

The next ordeal was the uploading of the book list. According to the law, the ministry had to make the list available to the schools by 30 November so that they could put in their orders for the next year. This required the setup of a specialized Internet portal before November so that publishers could upload the data of their offerings. (Uploading was both a cumbersome and expensive (it cost HUF 5,500 per book) job. Publishers paid several hundred thousand forints just to be on the system.) But the ministry did not set up the portal until the end of December, so that the publishers had only two days between Christmas and New Year's Day to complete the uploading. The publishers had to ask their employees to come in to work over their vacation so that they could spend day and night uploading the book data into the system. Ministerial employees were all on leave at that time, of course, so there was no one in the government who could address any problems that arose. The publishers put in a huge effort to comply with the system's requirements, all the while sensing that their efforts might be futile and that the license fee they had paid would end up to be a waste of money. Despite the publishers' efforts to get the book data into the system by the end of December, school officials could not access it until after 6 April 2014, following the parliamentary elections. Up to that point, therefore, no publisher knew which of their publications would be ordered, or how many, if at all. Meanwhile, they continued to pay overhead costs, employees' salaries, and warehousing without having any

idea of what lay ahead. Some publishers were faced with the problem of having to minimize their losses by either liquidating the company immediately or waiting to see if their expensively developed textbooks could be sold for another year—in case the state publications were not released on time. Should they start preproduction at once to make sure that the schools receive the books by September? Or rather wait to avoid piled up stock that would not sell, throwing them further in the red?

Its ambitions notwithstanding, the government could not produce the state-published textbooks during all this time, although it established National Public Service and Textbook Publishing Ltd. The company recruited a team, but it was unable to put out the one or maximum two books per subject area. They failed in the first instance because all the highly qualified authors, readers, and editors had long-term commitments to other publishers. As a second attempt, the government transferred the task to the OFI. The government had posted a tender of HUF 2.6 billion which (surprise!) OFI won.

It was harder to vanquish the publishers than the distributors because the books had to be created by professionals. This was what gave some confidence to the latter in regards to selling their products in 2014. Yet, they knew that the recent law would enable OFI to patch up an “experimental” textbook at any time, which the minister would approve instantly. Indeed, textbooks for vocational schools ordered from and prepared by a few publishers in 2013 were actually rendered useless by a rival textbook put out by OFI, which reached the schools in the summer. Certainly, the losses incurred by the publishers were never paid back.

While the publishers feel the rope tightening around their necks, they still have hopes—especially when they are encouraged by tentative statements made by bureaucrats in high places. When asked by *Magyar Nemzet*, a progovernment daily, as to whether every student next year will use the experimental or “new generation” books, the OFI’s director answered the following: “No, these publications will, for the time being, be introduced in some schools only and OFI will negotiate an agreement with the institutions’ leaders as to which of those schools it will be.” Optimistic publishers read this statement as suggesting that the government will not be able to fully meet its obligations and that there will be business for them. On the other hand, publishers’ optimism was slightly undermined by another statement by the OFI director published in the weekly *Magyar Narancs*:

Due to changes in the legal regulation of the textbook market, there will likely be a transitional period during which the copyrights of the currently used and accredited books will be transferred to the institute. The reason is that we will either draw on them as source materials or will publish their enlarged and revised editions as state textbooks.

In April 2014, two days before the parliamentary elections, it became apparent that, besides threatening the future existence of the publishers, officialdom had secretly devised a Plan B, which included the acquisition of two publishing houses.¹⁵ Apáczai Kiadó (Apáczai Publishers), whose Hungarian proprietors were glad to sell the firm for a reduced price to avoid incurring further losses, was easy prey. Nemzedékek Tudása (Knowledge of Generations) Textbook Publishers (formerly National Textbook Publishers) proved a tougher challenge since its parent company, Sanoma Publishing Group, formed in the Finnish capitalist market, took a longer time to comprehend the essence of the Orbánist “offer you can’t refuse” than its Hungarian counterpart. To facilitate the company’s comprehension, a campaign was instigated against the head of the Sanoma branch in Hungary, György Szabó.¹⁶ In an article titled “Media Moguls’ Secret Scheme against the Government,” the daily *Magyar Nemzet* “uncovered” an antigovernment conspiracy organized in a “lavish restaurant” by Szabó. Fidesz’s communications director urgently held a press conference where he announced that they had been informed about the “ongoing conspiracy” from official sources other than just *Magyar Nemzet*, and he called on Szabó to answer the allegation. Szabó was hardly intimidated into thinking that he would be subjected to a show trial like László Rajk had been sixty years earlier, but Sanoma’s owners must have come to the conclusion that in this less than business-friendly environment they would rather not continue pursuing their activities. So they sold their branch to “unnamed individuals” in October. The company did not spend a long time in the possession of these mysterious individuals; the government soon bought it from them.

The state’s treatment of textbook publishers was not unlike the treatment of inmates in pretrial detention who are not told what allegations were brought against them. Contradictory information is circulated through the jail grapevine and the interrogations are delayed for days so as to soften them up. And the publishers are softening up. In the last moment, they will be willing to trade their copyrights for reduced prices to OFI or the

two newly nationalized publishing houses. Similar to the owners of printing presses until now specializing in textbooks, they will also be shortchanged by a mafia-linked entrepreneur showing up with an offer they cannot refuse to buy their company.

Multipurpose Incursions: The Market of Language Education

Besides liquidating the textbook market, the government embarked on another the multipurpose task: the shrinking of the market for language education. While no exact figure is available about the size of this sector, it must be worth at least HUF 12 billion. HUF 9 billion of it is handed out in eighteen months in a program sponsored by the European Union, and an amount of HUF 3 billion is used for a plan to help people acquire certificates of language proficiency.

Law no. LXXVII of 2013 on adult education was passed on 13 June. It could push thousands of private language teachers and hundreds of small foreign language schools out of the sector. If the law is enforced, **only the large language schools will survive**. The twofold aim of this legislation is, on the one hand, the restructuring of the market and, on the other hand, the decimation of those groups whose livelihood is independent of the state. Several other measures showed **the mafia's distrust for those who can make it on their own**.

The law stipulates that even private teachers have to use a preapproved curriculum signed off on by an expert. A base fee of HUF 103,000 has to be paid for the permission and further HUF 68,000 for each curriculum.¹⁷ In addition, a security deposit of HUF 1 million has to be placed with the respective authorities. Even smaller language schools are obliged to provide data about their courses on a daily basis, for example, to report changes in course enrollment within 24 hours through the information system of the National Labor Office. Each act of reporting a change in the existing data has a price tag of HUF 5,600 on it.¹⁸ Private teachers living from paycheck to paycheck simply cannot afford these costs, but neither can smaller language schools lacking the staff to meet the requirement of daily reporting.

As usual, the government does not strive for clarity in this area. It is hardly motivated to enable the current actors of the language-education market to deliberate and plan their activities. Having been passed in June

2013, the law still lacked an executive order in 2014, although it was supposed to be available at the latest by the start of the academic year on 1 September 2013. Various rumors have been circulating about minor victories won at meetings between various parties, such as the reduction of the security deposit from the original amount of HUF 2 million to 1 million, or that, possibly, some smaller schools will be exempted from the requirement to maintain separate restrooms for women and men equipped with hot and cold running water, and so forth. The Fidesz administration successfully applied a favorite tool—uncertainty—and the even more favored tool born of it—fear. Since most actors in the language-teaching market cannot fulfill their legal obligations due to the absence of executive orders, they, in effect, are working illicitly. At the informational assembly of the Hungarian Professional Association of Language Schools held on 2 December 2013, this fact was reinforced by the Department Head of National Vocational and Adult Education in the Ministry of Social and Labor Affairs as well as by the Department Head of Vocational Training at the Ministry of the National Economy. So far the language teachers have been left alone but they can come under fire at any time.

Although no approved executive order exists at this point, the National Labor Office has started to train the experts who will inspect the schools participating in the European Union-sponsored program. Given the HUF 9 billion in funding to be allotted to applicants, it is fair to assume that the personal ties to the mafia government would be instrumental in the awarding process. Five schools received most of the program funding. Two of them were linked through family to a “trustworthy comrade” who was formerly the president of the language subcommittee of the Accreditation Board of Adult Education in charge of language schools, and, later, a member of the work team controlling the supervision of language schools. Among the big winners was the language school whose majority shareholder had taught English to Viktor Orbán and, following the government elections in 2010, became the ambassador to Australia and Oceania. Before his appointment, the prime minister personally thanked him for offering an “intellectual hinterland” to Fidesz over the past years.¹⁹ A sizable chunk of foundation money was moreover awarded to a limited liability company with no background in language teaching and no teaching staff—it is currently seeking subcontractors.²⁰ (Taking the idea from the “Fruit for Schools” experience, among others, this is one of the well-known methods of Fidesz to drain money from the government. Some private teachers

deprived of their livelihood and those working for smaller schools will be reemployed but only as long as they pay their dues.)

The law will eliminate many of the players in the language-education market, and of the remaining schools only those that can establish a rapport with the mafia can hope to enjoy continued success. Independent language teachers will either be compelled to join a major language school and accept the associated financial and personal constraints or move into the black market. Gone are the days when a diligent language teacher could earn a sufficient income and lead an independent and dignified life. Violating the new regulations of the mafia could be regarded as a form of civil disobedience or passive resistance. Yet, as long as the entire state apparatus, the Constitutional Court, the prosecution, and the police are controlled by the mafia, the latter can always crack down on rule breakers. Language teachers who do not conduct their business entirely by the rules run a bigger risk than repairmen who fix washing machines without a license. Thus far the mafia lacks the ability to detect when a repairman is making a house call. In contrast, the teacher who is not entirely compliant with the regulations will be caught if, at the language certifying exam, the student is asked with whom he or she has taken classes. What would prevent the passing of a law (or even its inscription into Hungary's Fundamental Law) which states that such a question has to be asked and the reply has to be reported? Hungarians may not be able to speak foreign languages but will know, thanks to the Orbán government, how to denounce one another.

Summary

The pieces fit together perfectly, just like in a jigsaw puzzle. The organizations and mechanisms created to accomplish various goals are complementary. To solidify social stratification into a caste system, narrowly based elite education and massive brainwashing are needed. To accomplish this, the number of seats in college-preparatory grammar schools had to be reduced; the quality of vocational training needed to be diminished; and the age of compulsory schooling needed to be lowered so that the largest possible number of youths without any qualifications could be ejected from schools into the labor market. To keep masses of people ignorant, a unified curriculum, a reduced choice of textbooks, and a constrained educational structure were required. In order to prevent deviations from the

stipulated educational material, it was necessary to render the careers of all teachers dependent on a central institution, which, in turn, required the nationalization of schools. To enforce this dependence in everyday practice, all educators were obliged to join the NPK. For the machinery to work smoothly, the number of independent educators in the state had to be decimated. This was achieved by eliminating certain sectors (such as textbook publishing) or shrinking others (such as language teaching). With the creation of a structure appropriate to the above objectives, it became possible to redistribute the market of educational goods and services among loyal vassals willing to use their profits to provide favors and offerings to the mafia.

In placing the pieces together, as an additional benefit, the government has produced situations in which parents, students, and educators alike are forced to lie. In the interest of keeping the system running, the officials turn a blind eye to the lies, but the threat of being caught hangs over everyone's head—an excellent tool to keep them in line. This is how the mafia interferes with our lives and overshadows our souls as well.

NOTES

¹ Ádám Kolozsi, “Szakiskola, végállomás” [Developing competences in homes for the elderly], *Index*, 25 October 2013, http://index.hu/kultur/2013/10/25/kompetenciafejlesztes_az_elfekvoben.

² Dóra Ónody-Molnár, “Kétmilliárdos kormányzati ajándék, leginkább katolikusoknak” [Two billion forint gift from the government, mostly for Catholics], *Népszabadság*, 3 January 2015, <http://nol.hu/belfold/katolikusokra-szabott-palyazat-1507617>.

³ Péter Radó, “Mindent előlről” [Everything from the beginning], *Magyar Narancs*, 15 March 2012.

⁴ *Ibid.*

⁵ János Szüdi offers a good analysis on this. See <http://www.galamuscsoport.hu/tartalom/cikk/217199>. In November 2014 it was rumored that the capacity of grammar schools was going to be cut in half. Consequently, in the 2015 budget bill the funding for secondary schools would be 25% lower than was in the previous year. Since the government cannot influence the capacity of clerical and private schools, all reductions would affect the public state schools. If the plan materializes, the percentage of students in state public schools will drop from 72 to 44%, while the percentage of students in religious-run schools would rise from 22 to 43%.

⁶ Mihály Andor and Ilona Liskó, *Iskolaválasztás és mobilitás* [Choice of school and mobility] (Budapest: Iskolakultúra könyvek, 2000).

- ⁷ See the research on the intelligentsia conducted by the Institute of Sociology at Eötvös Loránd University, Budapest, as well as Tibor Gáti and Ágota Horváth, "A háború előtti kisvárosi középosztály utótörténete" [The follow-up history of the prewar small-town middle class], *Szociológiai Szemle* 1 (1992): 81–97.
- ⁸ [They'd better not know where I am], http://nol.hu/belfold/20140307-_jobb_ha_nem_tudjak_hol_vagyok_.
- ⁹ István Tanács, "A néhány napos pedagógus" [Teacher for a few days], *Népszabadság*, 22 February 2014, http://nol.hu/belfold/20140222-a_nehany_napos_pedagogus?ref=sso.
- ¹⁰ Law no. CXCI of 2013 on the execution of Law no. CLXXXVIII pertaining to Hungary's Central Budget Plan of 2012.
- ¹¹ http://www.kozbeszerzes.hu/adatbazis/mutat/hirdetmeny/portal_8868_2013/.
- ¹² Babett Oroszi, "Iskolagyümölcs-mutyi: megszereztük a furcsa szerződést" [The fruit for schools scam: We've gotten hold of the odd contract], *24.hu*, 13 June 2013, <http://www.hir24.hu/belfold/2013/06/13/iskolagyumolcs-mutyi-megszereztuk-a-furcsa-szerzodeset/>.
- ¹³ The National Association of Textbook Entrepreneurs, which represented all parties interested in textbook publishing, is no longer able to level such criticisms because it was legally closed on 31 March 2014. Why, after all, to represent the interests of no longer existing textbook entrepreneurs?
- ¹⁴ According to the Central Statistical Bureau's prognosis, in the 2013–2014 academic year 1,248,000 students attended elementary and secondary schools, meaning that, instead of the regular market price of HUF 8,361,000, the plastic bags had to be purchased for HUF 37,440,000. See *Statistikai tükör* 7.117, 2 January 2014.
- ¹⁵ "Magyar tulajdonba került a Tankönyvkiadó" [The textbook publishing press now has a Hungarian proprietor], *Napi.hu*, 8 October 2013, http://www.napi.hu/magyar_vallalatok/magyar_tulajdonba_kerult_a_tankonyvkiado.566566.html.
- ¹⁶ Zoltán Szabó, "Itt az új médiaháború?" [Here's the next media war?], *Index*, 7 August 2013, http://index.hu/kultur/media/2013/08/07/itt_az_ujabb_media-haboru/.
- ¹⁷ See the decree of NGM Minister no. 56 of 2013 (XII.4) on the amount of the administrative service fee paid to permit adult educational activity; the rules of payment and the utilization of service fees as well as the order of collecting penalty fees imposed in the course of the supervision of institutions engaging in adult educational activity.
- ¹⁸ *Ibid.*
- ¹⁹ József Spirik, "Egész népemem fogom milliárdokért tantani" [I will teach my entire people for billions], *Index*, 21 December 2012, http://index.hu/belfold/2012/12/21/egesz_nepemet_fogom_milliardokert_tanitani/.
- ²⁰ *Ibid.*

Ádám C. Nagy

The Taming of Civil Society

In a speech delivered at Tusványos, the Free Summer University and Student Camp held in Tusnádfürdő (Băile Tușnad, Transylvania) in July 2014, Viktor Orbán stated:

If I look at the civil society of Hungary, ... I can see that it consists of paid political activists. Moreover, these paid political activists are paid by foreigners. Activists sponsored by well-definable foreign interests ... intent to exert influence on Hungary's governmental life at a particular instance and regarding particular issues... That's why a committee was set up in the Hungarian parliament dealing with the continuous monitoring, tracking, and publishing of foreign attempts at gaining control.

Before long, on the opening day of the parliament's fall session, on 15 September of the same year, the prime minister did not hesitate to refer to the same group as "civil mercenaries in foreign service." Let us bracket off the factual error—no such parliamentary committee was created, although the government majority could have set it up at any time. Yet, it would be wrong to view the prime minister's pronouncements as an abrupt about-turn without antecedents. His "procurator" dealing with the distribution of government funds for civil organizations—as the appointed chair of the Nemzeti Együttműködési Alap (National Cooperation Fund; NEA), as well as the organizer of the "peace march"¹—had preceded him with similar statements, although producing less of a reaction at the time, about how

the task of civil society is “the support of the government” and the “intellectual defense of the homeland.”

The 2014 speech held at Tusványos made widely available to the public knowledge that had already been evident to the close observer. One of the most distinctive chapters of the Nemzeti Együttműködés Rendszere (System of National Cooperation; NER)² is the state’s handling of civil society, more specifically, the nonprofit organizations, associations, and foundations. This was understandable, considering the **reigning octopus’s repeated attempts to strangle independent associations**: from the media, to the cultural and the for-profit sectors, in virtually all walks of public life its primary aim was to create dependence and co-opt civil organizations into a vassal-type system. Civil society, however, cannot exist without autonomy, collaborating networks, and self-governance. In order to do its work it embraces limited and accountable public power; the undertaking of tasks outside of the scope of the state and the business sector; participation in the public sphere; and the exercising of civil rights. Civil society presupposes a political culture, a kind of “civilized” public life, which in turn is grounded in democracy, civic responsibility, and tolerance. This is not covert behavior; all of this entails a commitment to certain values and norms. In other words, the cohesive force of this realm is the manifestation of what may be termed the “mindset of the *citoyen*,” at times organizing itself into nonprofits, while on other occasions remaining at the level of loosely organized civil collaboration.

To do away with this autonomous world, to regiment its participants and narrow their space of activity is a pressing necessity for the adopted political family’s—the octopus’s—mode of exercising its power since civility and the mindset of the *citoyen* would allow for free deliberations. The mafia state—a peculiar form of autocratic rule—is corrupting this civil world as it infringes on the latter’s legal sphere, distorts its sponsorship, and appoints “exemplary” leaders to run it.

The Janus-Faced Legal Material Reregulating the Civil Nonprofit World

One of the main goals of the so-called Civil Law³ codified in 2011 was to establish a kind of civil-legal codex in which the entire legal material regarding the operation of civil organizations could be localized. Although

this was overridden by the revised Polgári Törvénykönyv (Civil Code), or rather by the underlying interests, the approximately dozen confusing laws previously regulating the civil sphere could still be compacted into manageable lengths. **At present the legal foundation of the workings of civil organizations is contained, in effect, in the Civil Code and the Civil Law.** Yet, this 2011 law has been modified four times during the past three years, in altogether twenty-seven (!) places. As with the Fundamental Law, legislators once again neglected to acknowledge about or utilize the accumulated civil knowledge, notice the red flags raised by existing problems, or consider possible directions for development. About half a dozen ostensive coordinating meetings were held on the bill, but even the planned standard texts were unavailable on most occasions.

Despite the experts' protestation, the law distorted a key concept of this sector, public usefulness, imposing regulative measures and an administrative structure foreign to civil society. It is, for example, a mystery why public usefulness could be indicated and measured by a nonnegative monetary balance. Or why does a non-public-use-oriented organization have to devise a supplement of public usefulness?⁴ And, finally, why does the basic prohibition of profit distribution within the sector not apply to non-public-use-oriented organizations?

What was a three-pronged system became squeezed into a two-pronged one. The former consisted, first, of a nonutilitarian category referring to an organization providing for itself or its members; second, a public-use category involving an organization that provides for the community or society through useful activities excluding governmental tasks; and, third, a supreme public-use category whereby the government executes or supports activities related to the tasks defined by itself. The two-pronged system is now comprised of the non-public-use and of the public-use categories whereby the latter is only granted to organizations capable of verifying to perform or participate in the performance of governmental or self-governmental tasks. With this binary system, the proverbial "baby" was thrown out with the bathwater; the "baby" associated with genuine societal developmental goals, those not yet presenting themselves as governmental or self-governmental tasks, but are nonetheless important in a democratic society. All of this is symptomatic of a central endeavor of the legislation seeking the government's legitimization of an activity in order to deem it useful for the public.

The new Civil Code⁵ shows a similar trend in augmenting the responsibility of the legal entity's leader in cases of contractual wrongdoing. This

would be justified in case of profit-oriented organizations. If, for instance, the developer does not complete the job, not only the easily dissolvable LLC but its managing director could personally be subject to legal action. However, with civil organizations often operating with government funding, this clause creates an indefensible situation of entrapment since if the organization performs the task described in its winning application and yet its report is flawed or incomplete, the government funding agency can cancel the contract and require the organization to repay the entire amount of the grant. The organization, evidently, would not be able to do so for the tasks of the project would have been fulfilled and the money spent. Such a situation, in the past, resulted in the state moving to recover the debt, effectively collapsing the organization. Once the new Civil Code is implemented, however, the grant agency, the “careful owner,” will not only sue the organization but also its director, who will pay for what may indeed be a mere technical error with her or his own private assets. Whether the state will sue or not is a matter of political power, which will increase the civil groups’ vulnerability and susceptibility to manipulation and extortion.

This problem will be compounded by the Civil Információ Centrumok (Civil Information Centers; CIC)⁶—a county-level civil network of government propaganda backed up by close to HUF 1 billion in EU funding—whose declared mission is to offer professional guidance for the operation of civil groups and help with the correct use of government provisions. This certificate, however, has mostly been given to organizations that were locally unknown and only formally appeared as civil groups; indeed, they functioned as political commissars. One of them had a single event on its record of activities: a reading from the work of writer Albert Wass;⁷ the other worked in cooperation with the local government. The winner from the city of Debrecen had had a mere HUF 200,000 business (the winner received a HUF 35 million grant)⁸; in Budapest, the rather hard-to-approach Századvég Foundation received the award with barely any experience in this area, albeit sponsored by state budgetary sources as an ideological workshop of Fidesz.⁹ And, in the city of Nyíregyháza, the head of the CIC center revealed in an interview his unfamiliarity with its own website!

Overall, the increasing bureaucracy primarily serves the purpose of enabling the smooth functioning of those organizations that are either well-endowed with resources and funding or—due to the centralization of resources—are cherry-picked by politicians as their pet projects. The minor ones are faced with even more risk and vulnerability than before because

the paperwork, however irrelevant to their actual activity, drains more and more of their time and energy. The new regulation did not remedy the failings of the previous system but instead dismantled the entire institution in order to create a new one. The legislation has created new problems that simultaneously disadvantage the entire professional community—with the possible exception of the loyal and privileged experts midwifing the law—of organizations and intellectual circles concerned with civil society. Metaphorically speaking, if the windows do not work in a hotel, a repair person rather than a bulldozer operator must be hired to fix them. Even less sensible would be to build a new hotel costing far more, with smaller capacity, fewer amenities, and more defects because the hotel guests' needs and the experts' amassed knowledge were overlooked in the construction. Such a scheme would only make sense if our goal was to design a slanted, politically colonized system that is selective and discriminating in its distribution of resources and opportunities!

The Centralization of Resources and the Decline of Sponsoring Civil Groups

Besides the attribution of value to community, another important characteristic of civil society is the bifurcation of two roles, that of the buyer and the user. While in the world of for-profit business the user typically pays to receive a service or merchandise, it is far less certain in the case of civil nonprofits. Examples include the feeding of the homeless, free programs and performances, or camping for underprivileged children. Therefore, civil sponsorship has to be assumed by some entity, and since the need predictably exceeds the resources, the selection of competing needs and the supervision of communal assets present itself as a task in its own right. Sponsoring civil organizations in a liberal democracy involves supporting the nonprofit groups and their collaboration; facilitating the specific services, the self-governance, and the supervision of the groups; as well as organizing the distribution and control of resources to be supplied to the groups.

In search of state funding sources, we found a rather scattered support system. Most sources offer such tiny grants that on the sector level they do not contribute to resource enlargement. The ones with more significant level of sponsorship are mainly European Union foundations, with the exception of the Nemzeti Kulturális Alap (National Cultural Fund;

NKA) with a primarily noncivil focus; the Norvég Civil Támogatási Alap (Norwegian Civil Resource Fund; NCTA); and the Nemzeti Együttműködési Alap (National Cooperation Fund; NEA). Sufficiently large and designed to serve the entire spectrum of civil activity, the latter two funds will be discussed to show how the “octopus” affects civil sponsorship.

The Norwegian Civil Resource Fund: The Restriction of State-Independent Resources

A brilliant and most revealing instance of the mafia state’s propensity to thwart alternative networks and eliminate systems of resources is the case of the NCTA—also the most exposed one by the media. The NCTA forms part of the Norway Grants supported primarily by Norway (in 95% of the cases), but also Lichtenstein and Iceland. It was established because these countries, while members of the European Economic Area, are not part of the European Union, and the NCTA has to offer compensation for the advantages of belonging to the EEA. Hungary is entitled to avail itself of €150 million in twelve projects within five years, nine of which are supervised by the state, and merely three being part of the NCTA without Hungarian funds.

Clearly, the NCTA disappointed the civil organizations being as it was the single major nongovernmental civil support system, and therefore expected to care about, first, transparency in evaluating the applications; second, the professional grounding of the decisions; third, the handling of failings, errors, and their correction; and, finally, communicating all these. **Unfortunately, only partially and with serious shortcomings did the managing civil agencies of the NCTA meet the increased requirements of accountability.** The professionalism of evaluators in the areas of child protection, youth, environmentalism, culture, and the legal regulation of nonprofits proved questionable; its critics’ specific, itemized feedback revealed the superficial, unsubstantiated, and incompetent qualities of the assessments. Although the system did receive applicants’ comments and opportunities were set up to discuss in person the errors and failings with the managing organization, such criticisms did not substantially affect the evaluation and decision-making process. Given the assessors’ anonymity and the list’s confidentiality, applicants had reason to be uncertain or wary of the assessors’ expertise and competence. Of particular concern was the application procedure taking no less time than was common among state

funding partners. The NCTA missed the opportunity to set an example for state partners and in this way contribute to the sector's improvement.

All of these professional—and corrigible—problems, however, could not have been the cause of the Hungarian government's unprecedented crackdown, in spring 2014, on the resources supplied by a sovereign state and on the organizations that were awarded to manage them. (Imagine the official outcry if a neighboring country of Hungary attempted to close down our government's funding system serving ethnic Hungarians there!) The assault was launched via communications wherein a minister *not* in charge of the sector attempted to quash both the organizations winning the award and the ones managing the application process. (But if anything, this backfired on the government, turning the earlier described civil disobedience into solidarity.) When the crackdown proved ineffective, the Kormányzati Ellenőrzési Hivatal (Government Control Office; KEHI)¹⁰—previously bestowed with further licensing authority—and later the police (in fact, nothing less than the Standby Police—Készenléti Rendőrség—typically used to handle crowds or violent situations) were called in to raid these groups with the justification that even Norwegian public funds are public funds. While this was no doubt true, the Norwegian government never requested or empowered its Hungarian counterpart to extend control over the Norway Grant funds; as a result, it terminated its sponsorship over the remaining nine state-managed projects. Later, even the commissioner of data conservation, appointed by the governmental majority, voiced doubts as to whether KEHI could rightfully examine the NCTA. Directly overseen by the government, the tax bureau ignored this comment and went on to suspend the tax code of all the four civil foundations.

As a matter fact, **the government may well have unintentionally injured itself with its persecution of the NCTA.** On the one hand, the Norwegians had already indicated their plan to revise the entire project, possibly continuing the three programs run by the civil society organizations (perhaps with increased funding). On the other hand, those most scared away from the NCTA will be the civil society organizations with no political agenda and most frightened by a mayhem, KEHI-style. The bolder, grittier, more political and outspoken organizations, in contrast, will be even more likely to seek out the sources of the NCTA. In other words, as a self-fulfilling prophecy, the NCTA system may grow more radical in the future, thereby supporting the civil society actors who are most critical of the government.

Political Favoritism: The National Fund of Cooperation

Even more typical of the situation is how the NEA, the flagship agency that provides grants to civil society organizations, operates. Not only has it the leverage to threaten sponsors and grant recipients, but it is also authorized to rewrite the rules. Not even the rewritten rules are binding, however; instead, they tend to serve as the basis for formulating new regulations. In general, **it is always acceptable for the NEA to tailor the rules flexibly according to current political needs and interests.**

After 2010 the *forrásautomatizmus* (source automatism)—the 1% of income tax offered by the taxpayers—was discontinued.¹¹ The funding of civil society organizations came to be determined by annual budgetary arrangements meaning that, from 2011, the former amount of HUF 7–7.5 billion dropped to HUF 2.8–3.4 billion,¹² in nominal value, to 40% of the original amount. Adjusted for inflation, merely 30% of it was available. In addition, a new “ministerial budget” was introduced amounting to 10% of the entire fund to be allotted to recipients behind the scenes, that is, without calls for applications. With the setting apart of a ministerial budget, sponsorship, in effect, has lost its political innocence.

The NEA’s council is in charge of its conceptual direction, whereas the five colleges are responsible for posting individual calls for submissions and for decision making. Regarding the structure of grant sources, a vital change occurred with the NEA’s establishment: the distribution of grant sources, which had fallen within the purview of the civil society–led council, is now regulated by the relevant government decree. The council cannot modify it even when some colleges face a twelvefold increase in applications as opposed to others receiving an increase of 11%.

The number of applications slumped from 15,000–20,000 to 12,000 and the claim fell from HUF 25–27 billion to HUF 20–21 billion. During the NEA’s reign, as the figures show, the number of applications as well as the claimed funding decreased by about one-fifth to one-fourth of the earlier figures, while the number of recipients fell steeply to one-third, from 12,000 to 4,000! There is but one single explanation for this, unless one resorts to cynical explanations, such as the claim that social problems are waning in the System of National Cooperation or that a reduction in funding produces a reduction in need, therefore resources should be further cut back to further reduce need. The truth of the matter is that about one-fifth of the claimants were deterred by the reduced funding, the shifting regulations,

and the regime's communications. To trick the unfunded applicants, "waiting lists" were set up with the reasoning that should any of the groups relinquish their "money award" or should more funding become available in the "budget," these wait-listed organizations would receive an award. Building false hopes, the wait lists serve as means of wringing political loyalty or at least acceptance of the status quo, so that even the system's losers do not feel they have nothing to lose by objecting to the way the system works. All in all, the figures speak for themselves, showing that between 2008 and 2010 the establishment contributed close to HUF 20 billion to 35,000 applications in contrast to the period between 2012 and 2014, when the respective numbers were HUF 8.5 billion and 12,500 applicants.

There is much to be said about the revamped structure, too. The previous system, the Nemzeti Civil Alapprogram (National Civil Fund Program; NCA) consisting of 138 decision makers and twelve colleges—including one council, seven regional and three professional colleges—was altered in the NEA by reducing the number of decision makers to 54—about a 40% cut—and keeping only six colleges made up of one council and five professional colleges, substituting the professional for the regional principle of organization. The cutting back on decision makers could as well be viewed as a progressive move with its dismissal of the fallacy that legitimacy is ensured by a large number of decision makers. The smaller the decision-making body—assuming the format of the college system is preserved—the smaller the role played by interests in the exchange of favors. In our case, however, the size reduction still did not lead to a real growth in transparency (by, for instance, mandatory webcasting of sessions or publishing the aggregated data, and so forth) because it meant a smaller number of representatives from civil society, while the number of officers with a government mandate increased both in absolute and proportional terms. Thus, the principle of accountability stating that "elected civil society actors deliberate over the distribution of funds among other civil society actors" was entirely dismissed. In the NCA council charged with the task of coordination of the seventeen members there used to be twelve elected civil society representatives; in contrast, the NEA with its sustained council-college structure has only three civil society members out of the nine members. In the eleven-member colleges responsible for the concrete distribution of applications, the new regulations cut the ratio of ten civil society members out of eleven members to three out of nine. Earlier in the NCA, moreover, it was the council's task to develop the col-

lege's actual structure; in the NEA, the task was in the hands of legislators with the result that there was a further reduction in the input of professional knowledge in producing solutions to address the problems identified by civil society.

College presidents used to be elected; in the new system they are deployed via appointment. Five out of the six presidents received their membership mandate through governmental delegation as opposed to the one civil society member who filled the college president's post. These facts are hard to explain considering that, with six governmental—or governmentally mandated—members in a body of nine in each college, the regime had already established a permanent majority. One may suspect that the appointment of presidents served but one purpose: the appointees should not even dream of representing the college as if mandated by it. After all, it is not the college to which they are held accountable! A telling example and a red flag for the civil society sector was when the current council president—let us remember, also the chief organizer and leader of the peace march—ended up the sixth of the seven applicants for office and therefore could not become a council member. Nonetheless, he showed up at the council's first meeting as a governmental delegate, only to be instantly appointed president by the assigned minister.

In the NEA, the legal context severely constrains the colleges' autonomy. In theory, the NEA colleges make specific operational decisions as they "deliberate about the use of resources, prepare calls for applications, evaluate submissions, propose content improvements, as well as offer professional review of the extent to which the supported goals have been realized." In reality, however, besides the council president scarce autonomy is granted to other bodies. Even though the president and the council members are not to interfere with the colleges' decision making, the president does have the authority to revoke both the calls for submissions and the resolutions about them. The law stipulates that such interventions must be explained, even restricting the president's right of suspension to supported submissions. Nonetheless, the prevailing reason for suspensions has been "an inappropriate collegiate decision." In addition, the president often admitted unsupported submissions on his list, even in the absence of legitimate grounds in 2012 to do so. (The explanation typically stated that "even applicants receiving a 'zero forint award'—the 'wait-listed' ones—are winners—winners of zero forints.") Since the colleges could not take a stance, the council essentially became the decision maker by virtue of the fact that the

final list was different from the one approved by the colleges. The anomaly was repeated with the 2013 applications. The colleges were thus rendered superfluous; in addition, the originally justifiable principle was refuted whereby the president's revoking of an already approved submission would serve as an additional check in the system to safeguard against what he or she may see as squandering of public funds. But this mode of the president's intervention represents not an added check but the enactment of dependence on a single "procurator" within the relationship of state patron versus civil client. In 2012 the council president single-handedly suspended 200 submissions followed by 469 a year later, this time 7% of all submissions. The president's rewriting of the list does not only pose a problem of principle but a practical one as well. In 2012 the new list required an additional HUF 90 million funding made possible only by relegating the lowest-ranked applicants onto the wait list, meaning they ended up without resources. Importantly, the ministry or the dispatcher simply denied access to the list of these organizations. This practice, in fact, mutilates collegial decisions or renders them weightless. The fate of submissions lies principally in one person's hands, which is hard to justify given the large number of applying organizations and the oversight of funding resources. The president in this system is not a leader elected by the representative of predominately independent civil organizations but is the procurator of the powers that be, undercutting in this autonomous and collegial character of assessments.

A fundamental issue with regard to decisions about public funds is providing access to the decision-making process and to data pertaining to decisions and decision makers as well as allowing data analyses—aggregating and sorting along variables such as type of locality, type and form of organization, and so forth. A simple means of enabling all this would be to publish the list of awards in a searchable and downloadable data file format. But in the NEA all but individual data are available for inquiry, that is, data unsuited for sorting and looking up awards in a given locality. A vital guarantee of controlling public monies—public oversight—is elided this way. After all, in the absence of data neither the work of decision makers, nor the possible partiality of decisions, can be gauged. And since retrieving individual data demands more effort from the public than using a simple data file, one suspects that such an arrangement is not a coincidence. The fact that data regarding the "ministerial" (that is, individual or noncompeting) submissions were not simply ungrouped but entirely inaccessible for a certain period of time further corroborates our suspicion.

“Go with the Peace March!” The Governmental Procurator of Civil Affairs

A distinctive feature of the mafia state is that in certain areas they no longer even try to reach a majority within an organization; instead, a “procurator” directly inserted through the personal network of “vassals” takes charge of the area’s ideological and financial management and oversight. The civil society procurator is easy to identify with his numerous functions. First, he is the organizer of peace marches involving hundreds of thousands who display their loyalty to the government. (Depending on what is asked from them, the peace marchers have been willing to pledge allegiance against the European Union’s alleged colonization of Hungary or demand an opening toward Russia.) Second, the civil society procurator operates the Civil Összefogás Fórum (Forum of Civil Cooperation) comprising, in his estimate, 400 (in fact, just two dozen!) organizations. And, third, as mentioned earlier, he presides over the Nemzeti Együttműködési Alap Tanácsa (Council of National Cooperation Fund; hereafter Tanács) as an appointed—rather than an elected—officer. The deal is evident: in exchange of the convertible good deed of producing 100,000 marchers, he is free to convey the governmental expectations toward the civil society world.

Tanács, funded by HUF 20 to 40 million of the Fidesz Party’s endowment, was an active player in the 2014 campaign, undertaking to engage in negative campaigning at its dirtiest, as it strove to undermine the oppositional challengers. Thus Tanács acted as a political entity masquerading as a civil one, in this manner violating the mandatory impartiality of the civil society sector regarding party politics. Right from the start of its existence, Tanács’s activities revolved around assisting the government party (or parties) via direct political action. Irrespective of the assessment of their politics, one can see in it the state’s double standard: what the officialdom criticized—yet never proved—about the NCTA, it supported heavily in the case of Tanács and the peace march.

Being a mere vassal of the state, it would be senseless for the rival parties to contest Tanács. And although its tie-up with the peace march was less than a classy move, in a functioning democracy this in itself would not matter hugely. We crossed the Rubicon when the Tanács leader, also sponsored by public money—from the NEA’s ministerial fund—had himself appointed president of the NEA as well. A look at list of awardees from the

ministerial fund will make it crystal clear: the recipients were, for the large part, organizations connected to the government itself, to Tanács, or to the NEA's president.

Tanács and its leader—in one person, the head of NEA—intended to have a share of the ministerial fund saying that, technically, it is not an application for according to the language in the law, an organization whose member was related to NEA could **not apply**. In response, the apparatus amended the Civil Law's relevant paragraph, hiding it among the "final provisions" of the amendment of decrees regarding the transfer of specialized hospital care within local self-governments. The civil amendment stated that a **submission for support** by an organization whose member is involved with NEA is **invalid**. This rare act of defiance by the apparatus managed, for once, to thwart an attempt to ignore a conflict of interest.

Although the president believes in the importance of clean hands, he is less certain when such a policy applies to procurators themselves. He stated:

The Civil Law has been a game changer since, finally, something happened in civil matters: extraordinary restrictions. This means that evaluators of grant applications cannot under any circumstances submit an application of their own and cannot receive an award—not a single penny. In this way, we set up an iron curtain—we love the term "iron curtain" but I'm using it in a positive sense here—with which we can leave behind the situation in which anyone can make exceptions for themselves... [However], in my reading, **regarding the 10% funding that can be allocated from the NCA, the president should be able to support or "reward" certain organizations—based on his or her subjective assessment and without any conflict of interest—working within the review system**, in the colleges or in the council. As a lawyer, I would say that the legislator may not have envisioned excluding everyone! Here we have these large organizations having done a tremendous job over the past years, and if the minister believes it is appropriate to award individual grants to these organizations, that will only serve the intent of the law. (Emphasis added)

This same NEA president prevented the press from reporting on or chronicling what ought to have been, according to the law, a public session—not

even an Internet webcast operated by a civil society actor was allowed. He stated, repeatedly, that the colleges' task is to act in the applicants' interest, which does not necessitate involving them. It would, in fact, be a "populist gesture" to communicate with the applicants.

Evidently, not only are the requirements of democratic polity (equality) disregarded by the procurator and his underlings; so too is the consensus crucial to establishing and maintaining civil society and to honor the basic premises supporting the concept. Instead of emphasizing service, control, and participation, the leadership, subservient to government's policies, is engaging in the "intellectual defense of the homeland," an approach which points far beyond the rational into a realm where even a "zero forints award" passes for an acceptable result!

The Mafia State's Model of Taming Civil Organizations

In the era of liberal democracy following the regime change, the state's approach to civil society, while replete with contradictions and gaps, was fundamentally laissez-faire in expanding the opportunities for creating associations, the manner of acquiring public usefulness, and maintaining modes of sponsorship. This system undoubtedly had its defects due to not being fully formed: first, the courts were arbitrary in interpreting the prerequisites of registering organizations. (Earlier research took stock of court orders in contradiction with one another, etc.) Second, sponsoring was anything but impartial, but this flaw remained at the lower levels of professional policy decisions rather than becoming a systemic feature of the operations.

In contrast, autocratic systems, variable as they are, work quite differently and are governed by a fundamentally restrictive logic. The Horthy regime of the interwar era (1919–40) had a mechanism that controlled the establishment and working of associations, tending to favor local and outlaw national organizations. This entire system was eradicated in the communist era. Even civil cooperation itself was stymied via coercive measures and the actions of the secret service, whereas nonprofit groups were not even permitted to form. The few existing pseudo-civil society organizations certainly did not meet the criteria of voluntariness and self-organization. Not even the limited leeway granted to associations in the thawing social environment of the 1980s allowed them to address social problems;

these were mainly designed to convey the communist party's will to society at large.

The mafia state employs a multistep domestication methodology. Its first step is the centralization of funding and its control by a procurator. This move is "successful" with the majority of civil groups since they are primarily invested in realizing a given organizational goal rather taking a political stand. Therefore, in accepting the procurator's response—funding or the promise of it in case of wait lists—they would not voice their discontent with this operational system. If the constrained funding does not suffice to reach its goal, the state deploys the media by, for instance, subjecting the oppositionally oriented civil society actors to communicational pressure. On this level all but those organizations would persist which, of the threefold task of civil society (participation, service, and control) would advocate the ethos of curbing the state's dominance. Should the communicational pressure prove ineffective, the state will employ coercive means in order to enforce the government's will, as exemplified by the intervention of the government's Control Office and the police in the conflict with the NCTA. While the first method has been used more than a few times in the context of the Hungary's incompletely realized democratic model, the second method's application has been almost unprecedented. Finally, the deployment of central authority reveals how the octopus, an unequivocally nondemocratic system, works.

NOTES

¹ The "peace march" is an occasionally held progovernment demonstration involving close to a 100,000 people.

² The National Cooperation is the regime's political statement; the NER is the action framework of this statement.

³ 2011. évi CLXXV. törvény az egyesülési jogról, a közhasznú jogállásról, valamint a civil szervezetek működéséről és támogatásáról (Law no. CLXXV of 2011 on the Right to Assemble, the Legal Status of Public Usefulness, as well as the Workings and Support of Civil Organizations).

⁴ According to the relevant legal statute, the supplement of public usefulness should be part of the annual briefing, which applies even to organizations that are not public-use oriented.

⁵ 2013. évi V. törvény a Polgári törvénykönyvről (Law no. V of 2013 on the Civil Code).

⁶ The Civil Information Centers were devised, in theory, to support, inform, train, and mentor the civil groups working in a given county.

- ⁷ Albert Wass was an extreme right-wing Hungarist writer from Transylvania. See László Nagy, "Wass Albert és a hungarizmus" [Albert Wass and Hungarism], *Eszmélet*, 1 January 2006, http://eszmelet.hu/nagy_laszlo-wass-albert-es-a-hungarizmus/.
- ⁸ HUF 200,000 was worth c. €670; HUF 35 million equaled c. €117,000.
- ⁹ Officially, the Századvég Foundation is an independent think tank; in actuality, it is the ideological shadow institution of the government.
- ¹⁰ KEHI is a governmental bureau for controlling public funds and their spending.
- ¹¹ Taxpayers are entitled to donate 1% of their personal income tax to a church and another 1% to a civil organization of their choice, respectively.
- ¹² HUF 7.5 billion equaled c. €23–25 million; HUF 2.8–3.4 billion was worth c. €9.3–11.3 million.

Zoltán Ripp

The Opposition to the Mafia State

The lasting persistence of the political regime that came into being after 2010 required the neutralization of its opposition, that is, integration into the system. In a 2009 speech delivered in Kötcse,¹ Viktor Orbán explained in unambiguous terms the kind of party relations he intended to create in the new regime replacing the democratic republic: The dual party system will end—in the following fifteen to twenty years a central field of power will evolve to define the political landscape. The hegemonic government party will monopolize power and formulate the national agenda to be upheld in a straightforward manner by precluding “unnecessary debates about values.” This hegemonic system maintaining the facade of parliamentarism is not to be sustained by doing away with the opposition but by integrating it in a subordinate position, rendering it unsuitable to gain power as a player in a rotational party system.²

After 2010 the so-called central “field of power” did emerge—the rule of a virtually unremovable government party—as a successor to the worst traditions of Hungarian parliamentarism. The two-thirds parliamentary majority enjoyed by Fidesz and the KDNP (Christian Democratic People’s Party) denounced constitutionality, established the legal grounds of a new political regime, and, with shameless maneuvering, created the political preconditions of hegemonic governance. In order to succeed, Fidesz needed the opposition’s compliance and inability to present an alternative scheme. Not only could the latter not resist the new regime’s full-fledged development; by three serious consecutive electoral defeats it furthered Orbán’s

legitimacy. While the opposition's failure in municipal, national, and European Parliament elections could be rationalized with its own initially dire situation, the public law remodeled to suit Fidesz, poor media relations, and an autocratic state power, its own responsibility for missteps and failings cannot be overlooked, neither, most importantly, can its unwitting acquiescence to Orbán's script and its willingness to be an ornament on the **mafia state's autocratic parliamentary edifice**.

The Initial Circumstances

The New Structure of the Party System and Its Consequences

The 2010 parliamentary elections severely uprooted the party system, creating the political preconditions of a regime change via parliamentary means as a kind of constitutional coup. Four fundamental changes occurred. First, **the political arena remained without a dominant force fit to take on the left-wing party's role in the rotational system**. Even though the Hungarian Socialist Party (MSZP) retained its centrist position, everyone with a modicum of common sense except its leaders, activists, and most dedicated supporters agreed that not even the most forceful attempts at renewal would help the party to regain its past support. Neither the internal nor the external conditions favored the resolution of the MSZP's long-standing, deep, and complex crisis. I will get back to this later. At this point, it should suffice to argue that the party could not or was not willing to assess the implications of the preceding party system's demise, still nurturing the hope to recapture its dominance as an alternate party with the best chances to win.

Second, **the principal parties of the 1989 regime change—the liberal Alliance of Free Democrats (SZDSZ) and the moderate right-wing Hungarian Democratic Forum (MDF)—had been gone or dropped out of the parliament**. Liberalism thus lost its independent political representation. Even as a joint party the two received a mere 2.67% of the votes. Not only did the SZDSZ dissolve after taking a beating—and beating itself up—as a former governing party; the MDF's conservative liberal economic policy as an alternative trajectory spearheading Lajos Bokros foundered as well.

Third, in 2009 the party comprised of environmentalist organizations **Politics Can Be Different (LMP)** made its debut in parliament with a rather hazy profile and circle of followers, deviating from the prevalent party

structure. Irrespective of its intentions, the LMP functionally strengthened Fidesz's position under the circumstances. It could not effectively fend off the accusation that, as an organizationally barely formed party, it depended on Fidesz support to obtain sufficient number of proposal coupons to run in the elections. Targeting the entire establishment associated with the regime change, the LMP's sweeping criticism reinforced an already pervasive societal dislike of party politics. But more than anyone else, this propaganda hurt the socialists and the liberals who governed over two cycles and made one misstep after another. Coming from the disintegrating SZDSZ, the LMP's primary supporters tended to be young, urban, and professional voters who, despite the party's embrace of antiliberal and robustly antiglobalist ideas, enthused over its agenda of fighting corruption, pursuing a moral regeneration, and starting anew.³ With its small electoral base and uncompromising distance from all political colors, the LMP did not land in the center but in no man's land, yet tried to grow into a major party. Challenging the party structure and the validity of conventional demarcation lines deemed old-fashioned, the LMP withdrew from "irrelevant" contests between the "left" and the "right," representing itself as the single political force able to respond to pressing contemporary problems. With a dose of doctrinaire self-righteousness added to the mix—particularly via party head András Schiffer—the LMP barred any potential alliance. It considered self-building as its genuine task. Criticizing all the old parties, the LMP essentially made a functional equation between the failed socialist-liberal governments of the 1989 regime change, on the one hand, and the new system building the Fidesz government enabled by the Orbánist "polling-booth revolution," on the other.

Undoubtedly, the old left was blind to the LMP's concern with environmental and globalization processes, while the LMP disqualified every indication of the old left's self-critical attempt to break away from conventional politicking as insufficient or inauthentic. Instead of starting a debate about unresolved issues, the party resorted to stigmatization.⁴ The old left fought back by pointing out the LMP's role as Fidesz's "support commando." Power politics gained the upper hand in these disputes. **The LMP's need to develop a long-term strategy to take over as the dominant left alternative outweighed its intent to contribute to a common strategy against the Orbán system.** Should one overlook the extreme circumstances prevailing in Hungary, it may have been a sensible idea on the LMP's part to build an identity and independent base of its own. But

evidently, some aspects of the LMP's stratagem, though inadvertently, corroborated Fidesz's hegemonic ambitions. Schiffer's understandable but hyperbolic revulsion for the MSZP and Ferenc Gyurcsány, prime minister between 2004 and 2009, should not be underestimated. Schiffer went as far as questioning MSZP's democratic character during the Gyurcsány era.⁵ The LMP's crusade to cleanse Hungary's political life and eradicate corruption veered at times toward character assassination and criminalization of the party's opponents. In effect, the LMP's disapproval of the Fideszist mafia regime did not imply anything more than that its primary target is the powers that be.

The LMP firmly held the view that a return to the broken system of the 1989–90 regime change would be no less detrimental than putting up with the Fideszist mafia state. Its distinctions between the two regimes merely muddled a little their pivotal stance of a two-way separation. **In developing a uniformly antisystem position regarding not only the past eight but the past twenty years, the LMP took on more than the Socialists' and the Free Democrats' reign to include every participant of the post-communist transition.** Underlying this stance was the LMP's anxiety that allying with the old left, let alone accepting its supremacy, would involve consent to restore the past. The LMP decided instead to stand by itself in the central field of power with policies not taking them very far.

Finally, a striking symptom of the restructured party system was **the rise and relentless growth of the Movement for a Better Hungary (Jobbik).** An unwelcome development for Orbán, it signaled the fall of his slogan: "One camp, one banner." Yet, besides ensuring the two-thirds majority, Jobbik offered benefits for Fidesz. Even without Jobbik on its side, the ruling party would have paid lip service to right-wing pluralism by keeping the Christian Democratic People's Party (KDNP) on the ventilator. But pluralism was not on its agenda. Apart from a few technical benefits, the KDNP faction only served to satisfy the clergy and the voters under its influence. Most of the members of Fidesz did not feel threatened by the divisions on the right, since not all their recruits came from traditional right-wing quarters. What stunned many about Jobbik's 2010 election results was the way **it captured voters on issues conventionally addressed by the left. The left-liberal parties' inability to deal with the most severe social problems** played a crucial role in Jobbik's highly potent social and national demagoguery and anti-Roma racism. "The socialists' lack of an intellectual theory coupled with the liberals' blindness and preoccupa-

tion with the macroeconomy drove the masses from the country's impoverished regions to the right's and far right's camp—paradoxically, even Roma themselves rather than just those non-Romani citizens whose problems had been unattended to.”⁶ A sense of hopelessness and confusion prevailed after years of socialist–liberal coalition governance and, with it, a demand for radical law-and-order politics. **This accounted for the lack of resistance to the abolition of the democratic rule of law.**

The increasingly robust Jobbik confirmed Fidesz's self-portrayal as a moderate center-right party fighting the fringes on both left and right to protect national interests. This explains why Fidesz thwarted the democratic opposition's effort—particularly forceful after the parliamentary scandals early on⁷—to quarantine Jobbik. Fidesz was not keen on the idea to tame its extreme right ally; it was content to lure away Jobbik's susceptible voters. This resulted in the almost complete fulfillment by Fidesz of Jobbik's ten-point package of election promises!⁸ The independent presence of the radical right helped legitimize a “centrist” Fidesz embarking on another regime change, whereas **Jobbik unwittingly served as its “support commando” stretching the ideological limits.** It did not resent the direction of change but rather its slow pace and restraint. Hence the Orbánist government's neglect to stand up against Jobbik until it jeopardized Fidesz's hegemony. As Jobbik was on the rise from being a “support commando” into a potential rival, Fidesz was quick to deploy its arsenal of harsh measures—from shaming to criminalization. Yet, instead of taking the wind out of Jobbik's sails through its concessions, the concessions made to it served to justify its shift toward extremism.

The most painful adverse effect of Jobbik's politics was **the hijacking of the radical rejection of the system.** While ruthlessly attacking certain features of the Fideszist mafia state's corrupt and impartial policies, Jobbik advocated the hard-line version of the anti-West conspiracy theory Fidesz had adopted to rationalize its unorthodox “freedom fighter” policies and opening to the East, where despotic traditions were being revived. Jobbik furthermore assisted Fidesz by directing societal frustration at the left and the liberals even while carping about the government. Its system-bashing rhetoric was far more pungent targeting the defeated liberal democracy than the autocratic mafia state. The extreme right's upswing was primarily due to the left's failure to offer valid and compelling solutions to the problems articulated by Jobbik and reach the targeted social groups with its emergent programs. Few members of the socialist–liberal opposi-

tion ever turned up in those rural districts that served as primary sites of Jobbik's push for recognition. The left substituted mere gesturing for continuous presence—provoking repulsion rather than sympathy—while the overwhelming majority of local administrative positions were held by the right. In its 2014 “human face” campaign, Jobbik succeeded in softening its militant image, while enlarging its base lured precisely by militancy. This refuted the speculation that the party's popularity had reached its plateau: Hungary should be safe from the further expansion of the far right. Of particular concern was the drop in the old left's popularity among the young to unprecedentedly low levels, showing how this demographic was virtually untouched by left politics. Simultaneously, Jobbik's racist national populism was spreading effortlessly.

The Crisis of the MSZP and Oppositionality

The MSZP landed in the post of ruling opposition party ill-equipped for the job, in a condition that made it vulnerable to performing the role, in the central field of power, of the parliamentary script authored by Fidesz. The MSZP's leaders could not fix a single aspect of the party's severe, long-standing crisis; its identity was as undefined as its ideological and cultural commitments. Neither through a coherent and appealing concept of what Hungary was to become, nor via a credible program could they win new voters. The character assassination schemes of Fidesz added to the MSZP's quagmire. Its influence progressively waned after losing further positions in the municipal governments, which led to a worsening generational composition and an electorate barely exceeding the core of party adherents. The assessment of the 2010 electoral defeat and the umpteenth declaration of a “renewed trajectory” shaped the character of the MSZP's oppositional politicking. Everything followed logically from this. Inertia kept the party going with barely any new impulse, foreshadowing yet another failure.

With the SZDSZ's impending collapse, the socialists were left without potential allies. So whomever the former liberal voters would line up was crucial. Many listened to those who were nonchalant about Fidesz's two-thirds victory or judged it beneficial in view of the national tasks to be solved. Others expected the suppression of the far right's ongoing surge.

Yet, the MSZP's principal problem was not its relationship with the shrinking liberal camp but its diminishing credibility as a left-wing party. A perennial debate revolved around the perception that, as a governing

party at one time blackmailed by the coalition partner, the socialists' policies were more liberal than social democratic. Many held Ferenc Gyurcsány accountable for it. In the wake of his resignation from his post as prime minister, then from that of the presidency of MSZP, Gordon Bajnai, who had filled numerous functions in the MSZP–SZDSZ cabinets, formed a new government. By endorsing the Bajnai cabinet's 2009–10 measures to treat the economic crisis, the party's tormenting self-deprecation rendered it even more vulnerable to right-wing populism. But, sadly, the disputes about "excessive liberalism" were fruitless.

The problem of credibility continued to mar the MSZP. Lacking in self-confidence, it acted defensively. The party hit moral rock bottom in response to well-timed prosecutions by the attorney's office recently placed under Orbán's purview. As if the party members were clueless as to whether the charges were grounded or false, these legal attacks failed to elicit solidarity within the party. Rumor has it that the political scandals following one after the other were triggered by party infighting.⁹ As early as 2009 the MSZP's parliamentary seats were determined by the electoral ballots. And since these ballots reflected the party's power structure, one could foresee that the personal conditions for a hoped-for rejuvenation were absent. The young Attila Mesterházy's nomination as candidate for prime minister was supposed to convey the message of renewal. Appearing as the "man of the future," he was to propose a new left-wing strategy but without any chance of being taken seriously. The party was strikingly unpopular among the young while the seniors' loyalty flagged in response to the elimination of the "thirteenth-month pension" amid worsening living standards due to the economic meltdown.

Efforts were made to uncover the causes of the fiasco and draw conclusions from it.¹⁰ But apart from evoking the rhetoric of a new start, they produced meager results. After the defeat, there appeared signs of a grassroots rebellion but they remained isolated. Ironically, what prevented these initiatives from coming together were precisely the processes these dissenters challenged. The farewell message of resigning president Ildikó Lendvai underlined the imperative of holding the party together: The MSZP must not be bogged down by its diminishing traditional base that shuns modernization and upholds an outdated model of populist or paternalist leftism. Nor should it become exclusively the party of the reformist liberal elite that dismisses all social programs as "distributive" and "populist." The MSZP's tragedy, she opined, lay in the public's perception of two con-

flucting principles: the policy of standing by the “everyman” versus modernization.¹¹ Despite the warning signs, the divergent trends defined the party’s internal relations. On the one hand, Gyurcsány’s adherents wished to assign him a prominent role, despite his plan to temporarily stay behind the scenes in response to the president nominee Mesterházy’s antipathy for him. On the other hand, vigorous attacks came from the “national left,” many of them blaming the “neoliberal aberration” for the woes of the past four years, which in turn weakened the MSZP voters’ loyalty and created a rift between the two factions.

Contributing to the debate, Gyurcsány’s pamphlet made remarkable observations about the MSZP and the future of oppositional politicking. The author’s intent was to free the modernizing, Western-style MSZP from a subservient mentality rooted in the Kádár era and to contrast the former with the autocratic right wing—one whose rhetoric and symbolism, while belligerently anticommunist, relies on state-dependent subordinates, a homogenized popular demand, and on the will of “the masses” diluting democracy. At the same time, Gyurcsány noticed a host of signs indicating his party’s ineptness, among them political disorientation, poor organization, obsolete leadership and communication styles, and a shrinking and aging membership. Furthermore, he argued, the persistently loyal members were career politicians. Gyurcsány concluded that the electoral defeat was largely due to the party’s moral crisis caused to a degree by anomalies in the party’s financing. He insisted that many fresh faces need to be elevated to leadership positions in order to revamp the party’s often counterproductive selection process geared to “deal making.” He proposed a **model of combative oppositionality** where politics, written in capital “P,” will address issues of identity and principles.

The disputes occasioned by the electoral defeat uncovered the malady of the largest oppositional party, including the fault lines that reduced the chances of holding it together. Everyone wanted to prevent an amicable divorce, fearing the left wing’s demoralization or “Polishization.” But the escalating struggles for dominance had a paralyzing impact on the party’s oppositional activities—precisely at a time when Fidesz was aggressively implementing its policies to dismantle the system and consolidate its sway.

Lacking a clear-cut strategy for the party’s future, the new president, Mesterházy, wanted to shape the MSZP in his image primarily by securing, step-by-step, the key power positions. His agenda did not include a thorough deliberation over strategies. The new leadership was content to

announce the imperative of a “left turn” in the name of which it put a few demagogically inclined politicians in the limelight.

The MSZP, enfeebled and no longer credible, could not even slow down the Fidesz government’s overhauling of the political system and **step up as the organizer of social resistance to it**. A variety of differing and discordant approaches and intents competed for attention: experimentation versus “constructive” oppositionality highlighting well-defined alternative sector policies; a diehard revanchist rhetoric in response to Fidesz’s populist incitement against MSZP while the latter was in power versus voices confronting Fidesz of its unmet and baseless campaign promises. The result was an ad hoc kind of reactive oppositional activity. Come the Fidesz offensive’s most vigorous legislative period, the MSZP was still preoccupied with internal power struggles and dilemmas about choosing the right path. Its acts failed to crystallize into a coherent and distinctive political profile. Some members still wanted to retroactively justify austerity measures, while others kept reasserting the party’s left identity—adding some “tactful” warnings about the danger of populism. Another group was determined to disprove the government’s deceptions and accusations, whereas others were more interested in confronting it with its baseless campaign promises and calling attention to the grave social impact of its economic policies and claims. Yet, no coherent conception or clear principled politics could crystallize from all this.

A further set of defeats struck the MSZP at the 2010 local government elections, exacerbating its financial problems arising from the well-known, although never admitted, fact of the parties’ dependence on local administrative positions that they financially exploit. Following the shrinking of legitimate income sources, this one dried out as well. Having lost their paid local government jobs, many officials were forced to change careers since the MSZP gained too few mandates even in proportion to the size of its constituency. This gap, in turn, was the outcome of a legal amendment passed that summer.

Divergent Paths and the Democratic Coalition

In the fall of 2010 the MSZP produced a separate platform called Democratic Coalition (DK), headed by Ferenc Gyurcsány. Inviting both liberals and conservatives to restore the ’89 democratic coalition, he announced an entirely new strategy of alliance for dissenters based on the need for

a broad coalition against Fidesz's qualitative majority that was stripping apart the third republic. In an attempt to revamp the MSZP, Gyurcsány envisioned a moderate left party open to the center and advocating middle-class values. At the same time, he stressed that a solid principled oppositional stance should refrain from irresponsible populist gestures and unwarranted campaign promises. He added that a referendum must be demanded to restore the original constitution.

Gyurcsány's new role divided the MSZP. It did not hurt that he was still in the crosshairs of Fidesz's revenge campaigns. Gyurcsány made the new party leadership look tentative and timid in comparison. Following his lead, party president Mesterházy claimed to pursue assertive oppositional politics highlighting the party's obligation to offset the government's acts through social support. Unfortunately, he was reticent about how to do it or how his less-than-credible party could lead such an effort. Gyurcsány bitterly condemned the MSZP for letting power mongering and personal intrigues pervade it along with self-effacing compromises that dominated the entire political scene. Moral regeneration and transparency in financial matters, he insisted, should be the first priority. In his words: "The party must be honest even if it means to be poor. Unless we're honest, we are easily blackmailed. And if we're easily blackmailed, we cannot act as an opposition driven by principles."¹²

The odds were against Gyurcsány's endeavor to remodel the MSZP. The Social Democratic Society positioned close to him on the political landscape broke up with one faction affiliating with him and another holding its ground. He was fiercely and relentlessly attacked by fellow party members. Instead of opening the party to the center, most of the leaders wanted to reinforce its left identity, erasing its past deviations from and forfeiting of socialist values.¹³

Despite the noticeable clash between the staunch left "builders"¹⁴ and Gyurcsány's adherents advocating a hard-core oppositional strategy, **he sought to avoid a breakup**. While he managed to carry out the boycott of Fidesz's demolition of constitutionality via the right wing's qualitative majority, the socialists' policies remained ineffectual: the planned initiative for a referendum and the street actions never materialized.

In the fall of 2011 the Democratic Coalition advanced into an independent party. An entire year had been wasted on struggles within the MSZP. The conflicts surfacing after the electoral defeat remained unresolved and the controversies lingered.¹⁵ DK was eager to broaden its influence within

the MSZP in order to carry out a radical overhaul. The leadership, in the meantime, was resolved to squeeze it out as not being fit in a leftist party and responsible for the drop in support for the MSZP. Let me list a few consequences of this quagmire:

- During the Fidesz government's concentrated offensive to emasculate the regime, the MSZP's membership and remaining voters were sharply compartmentalized by the conflict. **The power scrabbles drained vast amounts of energy.** None of the steps taken to renew the party yielded any benefits for society as a whole; on the contrary, the struggles repulsed the public. The organizational erosion continued after the party's municipal electoral defeat, the second since 2006.
- The separation of the factions foreshadowed **the two parties' need to share the MSZP's diminished base**, being, as they were, unable to reach out to many new voters. Freed from Gyurcsány, the MSZP failed to gain traction, despite its more left-leaning rhetoric. In public opinion, DK's severance as a party in its own right was the product of a bitter and forced fracture. Shaking off the MSZP's ballast and emerging as a liberal, "left bourgeois" party susceptible to other perspectives did not help DK to draw any nearer to the original goal: forming a large unifying party with enough leverage to overturn the Fidesz regime. Formed by Gyurcsány, a politician whose popularity was consistently ranked as the lowest, DK could not achieve any sizable success. The support of charismatic personalities from the demised SZDSZ and MDF and certain quarters of the intelligentsia barely altered this scenario.
- The selection of a suitable person on the left to counter Orbán was compromised by the rivalry resulting from wearisome disputes. Gyurcsány understood that, as a victim of character assassination, his abject status was a severe liability, which he tried to ease by limiting his personal ambition and not running for prime minister. Yet, his behavior revealed that he would not back anyone wholeheartedly. Only for the sake of the unity of the left would he resort to doing so.
- DK's mid-level officers mostly consisted of politicians sidelined by the MSZP's elite or were self-selected leavers disagreeing with the party's principles. Only a few came from outside—a situation making it difficult to parry accusations of it being a successor party. **A large segment of the left and liberal intelligentsia found itself caught up between the two** without fully identifying with either and saying so.

- DK accomplished a major feat in defining the content of oppositional tactics when preventing the MSZP from acting in the Fidesz-directed parliamentary theater that destroyed the democratic constitution. Thus it sent the message that the abolition of the democratic rule of law was illegitimate. This did not suffice to ensure consistency within the MSZP which alternated acts of unswerving resistance with those of a “normal” parliamentary opposition. In light of the erupting civil demonstrations, the MSZP seemed bloodless. **Its moves to protect constitutionality were about as un compelling as its proposed social programs; the tie-up was particularly ineffective**, due to a deficit in the party’s credibility. Its leaders never doubted that their perseverance coupled with the Orbán government’s anticipated loss in popularity might enable them to secure the place of the winning party in a rotational system.
- Fidesz’s propaganda denouncing everything about “the past eight years” and imputing all failings to the Gyurcsány and Bajnai governments was inevitably amplified by the MSZP in a number of ways: first, by its attempts to remove Gyurcsány from the party; second, pressuring him to start his own one; third, repeatedly blaming him for the “neoliberal aberration” and the electoral defeats. Several socialist leaders were anxious to distance themselves as much as possible from Fidesz’s smear campaign but to no avail.
- Deeming it critical to the party’s reform, Gyurcsány demanded moral regeneration by ending the machinations due to the party’s anomalous financing. **The public debate on this issue could not help but reinforce the societal bias about the big parties, the moral state and oligarchic workings expressed in the saying** “six of one, half a dozen of another.” And this, of course, undermined the left’s critical discourse on the expanding mafia state. DK started at zero in financial and infrastructural terms, and its appearance as a separate parliamentary faction was blocked by concerted efforts by the MSZP and Fidesz. Nonetheless, accusations that it was a “left-wing salon” and “the party of millionaires” directed earlier at the parent party stuck. While the MSZP possessed all the infrastructure and the inherited debt, Gyurcsány carried over the burden of moral condemnation.
- Mesterházy’s position solidified as MSZP head by acting as the beacon of a united platform against Gyurcsány. Beating his potential rivals, he enjoyed the freedom of setting up his staff according to his liking.

Neither the old guard's dethroning nor a generational shift put an end to the party's counterselective mechanisms. Not even the rejuvenation enhanced the party's appeal among the young.

- The left media did not spare the party from the “live” broadcasting of the demolition derby, portraying it with irony or the aim to expose it. It did its job by conveying each faction's arguments aiming to debase their opponents. Meanwhile, **the still independent outlets took over the task of defying the regime, since left politicians were paying scant attention to it.** Broadcasting their commentary would not have amounted to too much. At this point, the independent media's dissenting voice provoked the most severe assaults by the state. Fending them off took the center stage of oppositional politics.
- **Most of the liberals must have been put off by the lengthy wrangling within the MSZP,** let alone by the fact that there was one remaining electoral choice, produced by a split. With few exceptions, the top politicians of the former SZDSZ had retired from the front line. Only a small number of former Fidesz politicians, who had crossed over to the SZDSZ, set out to establish an independent liberal force but those groups never took off the ground. The scarcity of viable options kept many a liberal in a state of political homelessness, detracting them from joining any party.
- Next to the civil resistance movement sprouting during the two parties' long divorce process, neither the MSZP nor DK could become the lynchpin of an anti-Orbánist coalition. Due to the rampant public distaste for the parties, the socialists were inept—together as well as separately—to politically articulate a swelling social discontent, despite the fact that their assessment of, and demands from, the Orbán government by and large overlapped with the social discontent with the government. As independent forces, the MSZP and DK were preparing to secure their own respective bases for their policies to ensure the optimal position for a future alliance of necessity. The socialist party heads never stopped cherishing the illusion of restoring the dual rotational party scheme—almost automatically produced by the new electoral system—and as the top left-wing party, getting elected to government “in the absence of a better option.” Implied in this hope was their belief that at one point their leftist social policies will converge with the protection or restoration of constitutional democracy. To harness the civil movements' energies was beyond real

expectations. If anything, the infighting resulted in the fragmentation of the voters' base on the left. Rather than recruiting new supporters from the "civils," the redoubled socialist choice merely deepened their antiparty sentiments.

The MSZP's self-confidence hinged on the idea that, as the strongest opposition party, it was indispensable to oust Fidesz. The question was, to what extent can the party stretch its autonomy within the limits of being politically responsible? Beyond what point would its independence work to advance Orbán's strategy of making its own party unseatable? The fracture within the opposition parties, **the uncoordinated policies to destabilize Fidesz; and the feeding of the public's already massive animosity toward political parties—all of these directly factored into the consolidation of the mafia state.** Gyurcsány's idea was not to "rejuvenate" the MSZP for the umpteenth time but to recreate it as a new democratic platform party—irrespective of his person being the biggest obstacle of this plan. Still, many party members—even those who shared his disapproval of the MSZP's modus operandi—had a hard time espousing his project.

Having rid himself of his adversaries and fortified his position, Mesterházy held fervently onto his conviction that the rising tide of antipathy triggered by Fidesz's policies would eventually advance the MSZP into an alternate ruling party. Whereas the opposition saw an ally in the civil resistance movements in amplifying the antigovernment sentiments of the public, the latter's relentless rejection of this opposition as inauthentic and counterselective was worrisome for further retrenching their prospects.

Forms of Oppositionality and the Imperative of Joining Forces

Civil Resistance to Orbán's Regime Change

Before long it turned out that the opposition will neither enable, nor create the political conditions for Fidesz to undermine its own authority. **No wonder that new political actors entered the scene calling themselves "the civils."** Lacking a better term, let us agree with this designation, even though after starting out as "one issue" organizations common in democracies, the civils took a different direction and evolved into significant players of the larger

political arena. In politics, “civility” represents the same antiparty and anti-elite public sentiment or “antipolitical” politicking to which the LMP owed its initial success and as a party conformed to, albeit with less success.

In just one year Fidesz’s electoral base of 2010 shrank by nearly a million. While its policies harmed a host of large social groups, almost as if the party had been intent on multiplying its enemies by sparking conflicts, it firmly held its top position in the parties’ popularity contest. In spring 2011, however, the multifaceted actions of civil resistance such as the demonstrations provoked by the passing of the Fundamental Law and the government’s crackdown on the independent media and employees’ rights aroused more interest and led to more palpable results than the isolated opposition parties battered by infighting.¹⁶

The two civil organizations gaining prominence were **Solidarity** (the Hungarian Solidarity Movement), with its roots in trade unionism, and **Milla**, which evolving from a Facebook group and subsequently the association became One Million for the Freedom of the Hungarian Press. For some time it seemed that the **Students’ Network** formed to fight the government’s educational policies might achieve significance as well. In spring 2013 the fourth instance of amending the constitution, among other changes, further curtailed the purview of the Constitutional Court; it also reinvented the concept of the family and codified in the constitution all types of contracts defining students’ “bondage” in postsecondary education. This act mobilized a set of civil organizations such as NANE (Women for Women Together against Violence), the City Belongs to Everyone, the University Educators’ Network, the High School Network. The greater part of the demonstrators, however, consisted of college students who were building hope within oppositional circles about this generation’s rising exasperation regarding Fidesz’s policies. Sadly, the charismatic demonstrations and protest actions waned without noticeable effects intimating that they had indirectly affected “Politics” per se. **But the threat they posed was not lost on the powers that be, as was seen in the government’s forceful incursion** after the 2014 elections into autonomous organizations primarily by financial strangling.

Solidarity: Neither a Trade Union, Nor a Party

Solidarity’s formation **gave rise to the anticipation that trade unions would recuperate** and, as a genuine social movement, would be able to

defy the Fidesz administration, which recently had drastically cut back on employees' rights. In October 2011 the movement, starting from law enforcement and fire-fighting officers, announced Solidarity's establishment, headed by Péter Kónya and Kornél Árok.

In the period of two decades following the 1989 regime change, the Hungarian trade unions had been gradually wiped out. Because of their bosses' compliance with Fidesz policies, strikes never occurred except in the left-liberal eras. After 2010 trade unions revealed that they do not speak the language of force but understand it when subjected to its use. **Aside from Solidarity's resistance, no organized effort was made to fend off even the legal acts most ruthlessly afflicting the workers or against abuses of power,** not counting angry communiqués. The unions acquiesced to the introduction of the new labor laws and peacefully watched the emergent corporative structures and chambers reducing them to insignificance. Solidarity's advent helped envision a different, more combative kind of unionism. Its founders stated explicitly that the movement was a product of disillusionment with the parliamentary parties and a loss of trust in them.¹⁷ Solidarity's fast-paced ascent resulted in a membership of about 8,000 and a sizable network of activists.¹⁸ The organization showed up at all major oppositional events.

Yet, Solidarity's foremost significance did not lay in its activities as a union. In December 2011 its leaders set up the **Democratic Opposition Round Table** and started a conversation with the parties committed to civil society and democracy. This was underscored by a grand demonstration on 2 January 2012, urging the nation to reject Orbán's regime change and the parties of the opposition to engage in dialogue. Unmistakably, the tens of thousands taking to the streets espoused the idea of a united platform, even though not even the initiators themselves had anything specific to say regarding how that would be realized. A few proposals came from the outside,¹⁹ but the would-be round table participants received them with reserve and later tacitly dropped them from the agenda.

Neglecting to coordinate its actions with other involved parties,²⁰ Solidarity found itself embroiled in disagreements and proved ineffective. Neither intellectually nor organizationally could it live up to its plan. **It, in fact, was on the wrong track; in order to become politically potent, it had to join up with a new player on the scene.**²¹

Milla: The Civils' Event Organizer

Set out as the coordinator and online organizer of movements to protect the freedom of press, Milla broadened its profile **to become the quasi movement of all forces contesting Fidesz rule, more precisely, the organizer of their demonstrations.** If it seemed more than an event organizer, that was due to the appeal of Milla, which derived from its activists' genuine dedication to the cause of social representation. The public wanted an organization untainted by party affiliations to front major antistate and antiregime protests; one not reviled by the bickering rival groups of the democratic opposition or at least tolerated by them through the experience of acting together.

Accordingly, the vagueness of Milla's identity was seen as a boon. For quite some time, it steered clear of political self-identification and took on the unique role of opening up a space and an opportunity for civil politics. The two main characteristics of Milla were its anti-Orbánist commitment to democracy and its resolve to keep political parties at bay, manifesting the latter by vehement and unsympathetic criticisms of previous administrations. Their principle of equal reserve toward the present versus the previous system diluted what has been radically different about them. It was partly Milla's fault that the diverse oppositional actors could not maintain a shared platform of systemic critique. Its tolerance merely enabled the participants at Milla events to suppress their disagreements in order to display the common democratic features of their antagonism to the regime. Milla was a civil actor not because it recruited "partyless" people; **rather its success in gathering both party and nonparty members "in one camp under no banner" depended on its civil status.** There was no perceivable cohesive force that held the masses together behind Milla either in assessments of the past or present public policies. Since its activists refused to become a political party, there was no pressure to devise a distinctive platform.

But Milla was no less inclined to become an umbrella organization either, and thus the actions slowly began to lose their substance and novelty. The discrepancy between the organization's declared and fulfilled versus its expected role was widening. The crowds attending the events wanted Milla to formulate more direct political statements and organize the coalition—acts it was neither authorized nor capable of performing. **Milla activists could set a program but not an agenda.** The programs,

too, were found increasingly boring and less accessible by a public that was politically, culturally, and intellectually dissimilar. Sensing the demands, Milla's organizers fell victim to an optical illusion. While their rhetoric denied it, their gestures and acts revealed a sense of control over these tens of thousands—as if members of this crowd were their followers rather than individuals coming from various parties, branches, and political milieus brought together simply by the will to overthrow the Fidesz regime and led by the expectation that Milla would generate this unity. **By the fall of 2012 Milla, having exhausted its potential, seemed no longer viable unchanged.**

The left-wing parties also had qualms about the apparently universal but vague dissent of Milla. Although attending the “bannerless” events, the party members had a hard time tolerating the concealment of their affiliation.

It was around mid-year 2012 that voters' support for the left had drawn closest to Fidesz's. The reason was not the socialists' significant gain in popularity but dwindling approval for the government party. The MSZP's policy makers sensed a new chance for victory at the voting booths and for the restoration of the dual-party system. This led them to develop a fresh strategy wherein the people's everyday struggles to make a living enjoyed priority over a systemic critique and revitalizing democracy.²² The truth of the matter was that under the new electoral order—having one round and based on individual constituency candidates—any likelihood to defeat the government would have necessitated the collaboration of all the influential blocs within the democratic opposition.

Unity and Ambiguities

After October 2012, the democratic opposition made every imaginable mistake, which facilitated Fidesz in securing a second two-thirds victory. Under the extraordinary political circumstances of the time, the goal to beat Fidesz's autocratic mafia regime could only have succeeded if the opposition had been able to break out of the conventional logic of party relations.²³ It is tempting to take stock of all the missteps made by each party, but the list would be too long. Gordon Bajnai's return to the political scene and the birth of the Együtt 2014 (Together 2014) Movement gave rise to a sincere anticipation of success—for the first time since the making of a common platform! That is why **it is helpful to list the failings by reference to Together's activities:**

- Returning to the domestic political arena in early 2012 as head of the Homeland and Progress Foundation (HH), Bajnai published his essay entitled “Republic, Compromise, Recovery.”²⁴ This text, written on “good governance” with a principally liberal approach, drew on a team of experts with no party affiliation but apparently ready to seize power. It begged to be read as a program for a future collaboration, given the author’s largely unstated but obvious ambition that it be so used. For Milla, the improved restoration of the republic, the social compromise, and the economic program of crisis treatment with modernization sounded equally agreeable. Hence the start of coordinating negotiations between Milla, Solidarity, and a few representatives of the LMP in the summer of 2012.²⁵ (The split within the LMP between supporters of independence versus collaboration surfaced when Schiffer resigned as a parliamentary faction leader.)

To the fledgling Together 2014 Movement, the Homeland and Progress’s group of experts offered the image of governing skills; Milla contributed the impression of civil society’s support, and Solidarity represented the hoped-for base of unions and labor. Bajnai’s reappearance in politics was explained foremost by the absence of another politician who had dropped out earlier from the Hungarian scene and would be competent as a leader of the united platform. It may have seemed that Bajnai’s experience in government, seeming disposition to avoid conflicts, and his being relatively untainted by the party wrangles rendered him well-suited to challenge Orbán as a “supra-party” candidate for prime minister and front person of a broad coalition. The slogan “Starting a new era” might have conveyed the signal of his willingness to break away not only from the Fidesz regime but from the wrong paths of the preceding era. Bajnai’s moderate political skills were not immediately apparent; the optimism about his willingness to step up in response to “social demand” overrode the apprehension about his ability for some time. To account for his welcome reception, one should consider that the Orbán government’s foes were finally eager to see a potent figure in charge of the entire bloc of the democratic opposition—a leader who could command an “**olive tree**”-type coalition.²⁶ In March 2013, the Together Movement, reluctantly, became a party. Bajnai did not front it because he needed to be introduced as a figure above the rivalry between the parties and, potentially, as a joint candidate for prime minister. So formally three copresidents were in charge of Together 2014:

Viktor Szigetvári (Homeland and Progress), Péter Kónya (Solidarity), and Péter Juhász (Milla). Bajnai's status was, as a result, poorly defined. **The persistent pattern of party disputes, however, took a toll on Bajnai's status**, which was exacerbated by the failure to learn from the experience. Not coincidentally, the expectations initially related to Bajnai's presence and which were manifested in the support of 14% of the voters dropped dramatically to only 5%.

- The three founding organizations of Together 2014 had no well-defined relationship to the new bloc. The very concept of copresidency signaled that the three groups had not sufficiently merged in order to develop a unified team that could run with a chance equal to that of a large center party. The founders' names were practically hidden from the public, since the list had allowed them to be identified under the colors of Together 2014. **The political character of Bajnai team was murky**; even his adherents in Homeland and Progress were not clear in their support for him, reducing the impression of his governing abilities.
- **The LMP's behavior caused major obstacles** to forging unity, and the resolution of the situation was fraught with discord and was no less disagreeable. The fiasco of the negotiations with this party, which was deeply conflicted over the issue of collaboration, made the opposition's seamless alignment against Orbán shaky. Having been beaten by a few votes, the procoalition faction gave up the struggle and left the LMP. Had it not rapidly metamorphosed into a **green alternative party named Dialogue for Hungary (Párbeszéd Magyarországért [PM])**, it would have landed in a vacuum. Intellectually remarkable but marginal in terms of organizational force, PM joined the alliance.

PM was poorly fitted into the coalition. As a party on an even keel, it was granted a higher status than Milla, Solidarity, and Homeland and Progress at the movement's inception. Due to muddled power relations and a confusing status ranking, the association between Together and PM impeded collaboration with the other parties. Rather than easing a possible alliance with minor actors, it abetted their exclusion.

- **The manner in which the coalition attempted to occupy a "center position" was misguided.** By making a series of verbal and symbolic

concessions, the coalition tried to open a space for supporters outside the left-liberal camp. But failing, as they did, to take a thorough-going critical perspective toward the regime, these gestures ended up bolstering Fidesz's identity, while damaging their own.

- **Together's communications were dominated by Milla and PM** and often contradicted Bajnai's reserved habitus and message, his maturity as a likely head of government. Actions based on the vocabulary of radical civil politics with a strong visual appeal were the order of the day. While allowing entry to commercial televisions' news programs, these actions fascinated only a fringe subculture rather than masses of targeted voters. Controversial as it was, this communication style quietly dented the public's trust in the coalition's ability to rule.
- **Together joined the choir of stigmatizing liberalism.** By doing so, not only did it alienate the former supporters of the defunct SZDSZ but it made it harder to realize its plan of becoming a center party. While Together came close to banning the word "liberal" from its vocabulary, Bajnai's program—his compromises notwithstanding—emphasized a decidedly liberal perspective. Most of the long-standing liberal advocates espoused DK, despite their considerable misgivings about Gyurcsány, with his record in government, or with his past treatment of the liberal coalition partner.

Indicating the public's rapid disappointment with the movement inspired by the promise of a unified opposition platform,²⁷ Bajnai's popularity index, reversing its initial momentum, soon fell to the level of Mesterházy's. Bajnai ought to have radiated the confidence and charisma of a future head of state, but, like Mesterházy, he was undercut by Together-PM, their own outfit.

Because of the tug-of-war, the free fall in the electoral support for Together was paralleled with a rapid rise in popularity for DK. Gyurcsány's constituency, with the support of the liberals, furthered its claim for equal status, even though when Bajnai arrived on the scene Gyurcsány had seemed willing to promote him and step back for the sake of unity. This shift of power resulted in yet another trauma for the coalition that had been brought together in large part on the common ground of rejecting the Gyurcsány era.

The flagging Together received an even harder blow as the MSZP declined to join its initiative and waited for Together's popularity to dwindle in the absence of a partner to negotiate with. Later, in January

2013, the MSZP—by then the strongest opposition party—had a crack at taking over the coalition’s leadership, sending the message that it was the only force able to command the alliance. The party sent out invitations to all the opposition partners to come to the negotiating table, the acceptance of which would have implied an acceptance of MSZP’s supremacy and a demotion of Together to the rank of a struggling party. Together had no choice but to refuse this offer while, simultaneously, taking the flak for delaying the coalition process and disputing unsuccessfully over the nominee for prime minister.

In an electoral system geared for bipolar voting, an umbrella organization—in theory—would have served well a coalition created for a common goal to encourage its parties to temporarily put aside their ideological and policy differences. In reality, **as soon as the critical issues that unite the different groups became bargaining chips controlled by power relations, the original purpose can fall by the wayside.** This is what happened here. Most culpable of all was the MSZP, which could not assess the country’s—nor its own—long-term interests. The Together-PM alliance’s self-defeating missteps likewise contributed to turning the discussions on electoral cooperation into squabbling over petty deals. Mesterházy strongly insisted that the MSZP speak as a political party with Together-PM so as to dictate from a position of authority. Before this could happen, the original project of unity fell apart. The wish of dissenting citizens that the opposition groups stand together barely mattered at all. One could see that should the substance and form of the oppositional union be determined by power relations, the MSZP would dominate decision making, pushing its own candidate—in this case, Mesterházy—to the top, irrespective of the person’s suitability for the role, and seeking to put its own party members into office.

The Systemic Criticism Never Undertaken: A Failure and Its Consequences

The negotiations threw light on the **oppositional parties’ failure to get their timing right.** They were constantly behind the curve. The perfect time to begin talks about coalition would have been the period right after the demonstration of January 2012. Had round table talks been launched then by the organizations claiming the Fidesz regime to be illegitimate and seeking its removal, they would have had ample time and opportunity

to work out any disagreements among them, identify their shared principles and agendas, select the right persons to play key roles, and so forth. When Bajnai stepped up it was already too late—Milla was in decline and Solidarity had become inactive. The slow-motion negotiations distressed almost everyone in the opposition whose hopes for a strong coalition were fading. Time was on Gyurcsány's side with the growing recognition that DK with its encouragement of a full alliance could not be excluded from the platform. Unlike the party bosses, the citizens antagonized by Fidesz knew well that the joining of forces was essential **not in order to maximize the size of the constituency but to maximize the reach of the participants' mandates**. Together was not able to meet social expectations and develop into a centrist party with 15 to 20% of the voters' support. Bajnai's popularity plummeted to the level of Mesterházy's. Instead of swelling, the pie chart of oppositional voters only changed its composition, which led to yet another trap: DK could not be left out of the alliance, even though Gyurcsány had been locked in to a virtual ghetto with his active but rather small constituency.

As a matter of fact, time was on Fidesz's side. By the start of the election campaign, few had had doubts about the **real stakes: it was not victory but the prevention of another two-thirds majority for Fidesz**. Having succeeded in forcing Bajnai to resign, Mesterházy stepped up to head an alliance which was doomed to fail. After calling DK in—and eventually the president of the Hungarian Liberal Party, Gábor Fodor, to simulate the liberal component to the alliance—Gyurcsány unreservedly endorsed Mesterházy, despite their past altercations. Instead of examining each step in the process, let us look at a few aspects of the final outcome to understand what kind of oppositional model the failed regime-changing coalition bequeathed to the Fidesz administration (which was, despite all efforts, reelected with a two-thirds majority):

- By the onset of the campaign, the long-drawn-out disputes created an unhealthy dose of distrust and antipathy, which in turn prodded an unending debate and arithmetic speculations on which party gained or lost through involvement in the alliance in comparison to their respective bases. Rather than tracing the problems to the limitations of cooperation, analysts pondered over the balance sheet of recruited versus repelled voters regarding particular names on the joint ballot. What else could have resulted from this but that the relatively better-

faring parties running separately in the soon-to-follow European parliamentary elections would celebrate another catastrophic defeat and restart calculating and bickering prior to the municipal elections? **The debates addressed internal power relations instead of what needed to be done;** the electoral defeat was approached as if Fidesz had simply been reelected rather than what had indeed happened: an administration made invulnerable to being driven out via regular democratic means just advanced to the next level of its reign. This, inevitably, foreshadowed **the next loss at the municipal elections in the fall of 2014.** Preparations, program setting, and joint ballots that held out the possibility of a victory at least in Budapest were neglected in favor of futile rivalries among the parties and insistence on independence.

- The real stakes of the 2014 elections were never fully comprehended and discussed. In its campaign Together had adopted the revealing name “Government Ousters” [Kormányváltók]. This made it all too visible, despite the abundant beguiling rhetoric, that the actual aim of the involved parties was not the overthrow of the Fidesz regime and the restoration of a more just and equal constitutional republic based on the rule of law, but rather a change of regime. While the ills of the system were cited, no comprehensive diagnosis of the Fidesz regime was presented, and the studies that would have allowed for deliberations on the stakes of electoral outcomes were by and large ignored. **A sensible plan with some vision of the future never surfaced.** This would have been indispensable in order to clarify, first, the manner in which the public legal and institutional arrangements produced by the Orbánist Fundamental Law and the attendant mass of provisions could be undone; second, how the country could be made suitable again for governance, given the land mines placed by Fidesz; and, third, on what principles and in what ways could the rule of law be reinstated. All this implied the acceptance of a historical failure since, in spite of the critical discourse on the ruling regime, **the opposition’s behavior suggested the system’s fundamental immutability.** The lowest point in this regard was a fishy-sounding hint by the copresident of Together–PM about “an irrefutable proposal,”²⁸ referring to a potential deal by which the Fidesz edifice could be tailored to the left’s desire for the reinstatement of governability. The substitution of contemplating such a possibility for the plan of

undoing the mafia state eroded the seriousness of Bajnai's slogan of "Let's start a new era."

- The frays throughout the parliamentary elections were not the cause but the epitome of the downfall. Every word voiced by the opposition about the missing requirements to ensure decent and fair elections was correct. Yet, by communicating powerful messages, the alliance could have at least taken a crack at compensating for the terms made blatantly unequal by the new electoral bill passed by the government parties. The opposition missed that opportunity. Like so many times before, it played by Fidesz's rules. Orbán campaigned with an emphasis on reducing the utility costs for families. **For the opposition to win that battle was hopeless.** Its politicians tried it, nonetheless, arguing that the electorate would engage with issues immediately relevant to their lives. However, four years did not suffice for them to accessibly demonstrate how these eminently important everyday issues were part and parcel of the system's workings. Instead, they fed the public with news of their infighting and failed to realize that the MSZP would have no chance to score in a playing field of populist demagoguery and authoritarianism. Short of a principal vision about the future, the campaign lost its soul. The message package turned out to be ineffective. Instead of substantively complementing one another, the variously branded campaigns of the alliance's groups just muddled the waters. Crude commentaries were presented instead of incisive criticism, which alienated rather than mobilized the public.
- **The opposition was unable to come up with new, charismatic faces over a period of four years.** The trio consisting of Mesterházy, Gyurcsány, and Bajnai evoked the image of what Fidesz inculcated as "the beaten left" in people's minds. Fodor was rebuffed rather than welcomed by the liberals. Fidesz cashed in on its enemies' continuous infighting occasioned by the leading role of Gyurcsány, target of the hardest-hitting attacks. Although at the very bottom of the popularity polls, he could not be sidelined either, for he was the only personality of stature on the left, surrounded by ardent devotees. The permanent squabbles with him took their toll on the left alliance. Since finding a capable candidate with a clean record to enjoy general approval had never been on the agenda, such a candidate never emerged. The contest for leadership thus degenerated into the

appearance of members of the old guard scrambling for power. Before long Bajnai was cast out of the position assigned to him; hence the contest was won by the one with the most leverage. Fidesz circles avoided attacking Mesterházy, considering him to have the perfect mentality and stature to run the doomed MSZP. The lukewarm electoral struggle, in which the players clearly avoided opportunities for negative campaigning, left many with the impression that there was a self-serving agreement between the Fidesz and the MSZP dealmakers to “live and let live.”

- Throughout its battles, the opposition continued to face the unscrupulous deployment of prosecutors, the police, the intelligence service, **and any other state agency suited to criminalize it.** A scandal erupted with the scheduling precision of a timed bomb. Having secured his own praetorian guard, Orbán had unlimited control over the means to keep the opposition in check. The progovernment media’s willing assistance was also at hand. The fact that an accused person would be acquitted after a lengthy criminal process was not of concern to him as long as the result was **ceaseless intimidation of the opposition and the whipping up of public sentiment against them;** no one was immune to being charged with some offence. In the meantime, Orbán’s cronies were free to get away with anything. Exceptions to the rule were moves to refashion power relations within the mafia family, but they barely affected the essence or basic mechanisms of the system. Even with an immaculate record, the opposition would have suffered—let alone an old guard incapable of fending off even unfounded accusations. By way of preparing for the municipal campaign, Fidesz revisited its tactic of four years earlier by humiliating the most successful candidates on the opposing side. Again, the credibility of the claim was of lesser importance than the disgust this supposed act produced in the electorate, forcing them to become either apathetic or acquiesce, to take it or leave it.
- **Fidesz has not been interested in resolving the problem of party financing or making it transparent.** The reason is not merely that thanks to the current system, it is free to spend endless amounts of money to maintain its edge in advertising. In addition, this situation enables Fidesz to blackmail the opposition: The MSZP is awash with debt and DK, along with Together–PM, has no funds. The financial strangling of dissenting organizations is closely tied with the ruling

party's determination to squeeze its adversaries out of the media, to lock the independent, left, and liberal outlets into a cage by keeping them on a financial short leash. Unless the opposition can contravene the shrinkage of the broadly understood left's intellectual and cultural mediascape and its splintering into isolated subcultures, the alliance's long-term prospects will evaporate—even if unnoticed by its politicians. Increasingly, **it is up to the mafia administration to assess how much and what kind of freedoms will suffice for it to maintain the facade of democracy.** The state's upkeep of an impotent opposition with a constantly narrowing politico-cultural space is part of its tactic of self-legitimization.

- The 2014 elections **left the country without a substantial opposition.** The defeat reinforced the fault lines, producing a sense that the alliance was altogether futile, if not harmful. The politics that led to this demise was never subjected to self-critical examination. The weakening of the MSZP parallel to the relative strengthening of DK and PM in the European elections did not reflect a significant shift in the left bloc's chances; it points to the inaccuracies of earlier assessments as to the distribution of power within the bloc. Unseating Mesterházy, the MSZP elected József Tóbiás to be its president and, once again for the umpteenth time, declared a new start and a regeneration with an unmistakably left profile. The party made the exact same move four years earlier when, having suffered a loss in the election, it promised to move to the left. We have seen the result. Bajnai responded to the defeat by retiring from Together as its chief, a post created for him specifically. Without him, the party appears to have bleak prospects. A rapid rise for the green-left PM too will be a challenge in the absence of sizeable organizational and financial powers. The LMP, another environmentalist party, is quietly grappling with its own orthodox tendencies. On the verge of falling apart, it is still aiming to morph into a large party. Its activists scorn their rivals as pseudo-leftists; with their rhetoric and "two-front battle" they unwittingly promote the success of Fidesz's plans. The rearrangements in oppositional quarters hardly impede the further solidification of the hegemonic regime, and Jobbik with its warped social criticism, is still on the rise.
- In the months between the European parliamentary elections in May and the municipal ones in October, the opposition restaged the melodrama we had seen before the domestic polls. In Budapest, a clear

opportunity presented itself to seriously challenge the government's candidate. But leveraging its two-thirds majority, Fidesz unilaterally amended the voting laws in the capital city, causing hurdles just four months prior to the election. The time leading up to voting day was spent in half-hearted attempts at coalition making, bargaining that nauseated the voters but, most importantly, choosing the joint oppositional candidate for mayor. In Hungary, the mayor of a city is the highest office to be elected directly by the people. The MSZP had never produced a candidate with strong chances to win. Neither could it this time. Compelled to relinquish its own nominee, a joint contender—supported by Together-PM and DK—was placed on the ballot. This person failed to meet expectations and refused the nomination. Merely weeks preceding the elections, then, all parties agreed to endorse Lajos Bokros, the renowned economist and former minister of finance in the first socialist-liberal government. It turned out that Bokros, who had in the meantime become head of a minor conservative-liberal party, enjoyed the Budapest socialists' support only; the national leadership objected to his candidacy. The municipal elections were another failure for the opposition: it secured precious few mayoral posts and majorities in local governments across the country and the capital districts.

- Having lost three consecutive elections in 2014, the opposition parties still could not admit that the cause of this failure was their inability to present jointly a broad-based alternative program grounded in a **systemic criticism** and attract a constituency far larger than that of the tainted and ineffectual parties. They projected the image of a chaotic, inauthentic, and disinclined coalition barely capable of forging a unified platform or governing together, let alone uprooting the Fidesz regime. The vastly important plight of profound change was missing from their agenda.

The real danger is the possibility, *mutatis mutandis*, of **the opposition or its most decisive elements becoming fully absorbed by the system, as seen in Putin's Russia**. This will likely happen if the opposition gives up on the overall denunciation of the regime, lamely engaging instead in routine government bashing as if operating in a normal democracy rather than a mafia-type autocracy. Orbán's opponents have neglected to settle on a diagnosis of what the problem is and what must be done to fix it. Unless they do so soon, the possibility of change will fade into the unforeseeable future.

Tactics for Handling the Opposition in the Mafia State

In a speech delivered by Orbán's in Kötcse in September 2009 was where he outlined his program of regime change. In July 2014 the prime minister overtly stated he would no longer pay lip service either to the—allegedly bankrupt—values of Western democracies, or to the norms of the European Union. He claimed to be building an illiberal state modeled after countries carrying on the legacies of Eastern despotism in innovative ways, such as China, Russia, and Turkey.

The Orbánist mafia state pursues tactics that are different from those adopted by earlier autocratic and dictatorial systems. Despite increasing centralization and the use of coercion, analogies with the Kádárist one-party dictatorship are misleading; the Orbánist model is also not the same as Horthy's governance, even though it is related to it in more ways than to the communist regime. In order to ensure legitimacy, the mafia state continues to need an opposition even after it has rescinded liberal democracy—one that is feeble, fragmented, tamed, and deprived of the opportunity to rule. So let us consider the peculiarities of the **mafia state's tactics of dealing with its adversaries**:

- Regarding **legality**, the government in the Kádár era was dedicated to separating semi-oppositional criticism within the grey zone of tolerance from overtly antiregime oppositional behaviors, which were completely banned. Even though the two zones communicated, a distinct demarcation line was in place since the dissidents were vulnerable to persecution and harassment by the authorities. The dictatorship felt “soft” only in comparison to its Stalinist phase, the years of post-1956 retaliation, and the experience of other countries within the Soviet Bloc. Besides moderate punitive measures, the dominant means of keeping the opposition in check included prevention, intimidation, division, and isolation. In the autocratic parliamentarism of the Horthy era only the overt enemies of the system, the communists, were outlawed: they were subjected to the harshest methods of persecution, their organizations held under strict surveillance, and it was even destroyed time and again. Occasionally, attempts were made to suppress the extreme right wing, the “efficacy” of which could be seen in the 1939 electoral success of the (legally running) Arrow Cross Party.

In the Orbánist mafia state the opposition cannot and will not be outlawed. The extreme right paramilitary groups disbanded by the courts tend to reorganize themselves and thrive. Law enforcement will not interfere unless instructed to do so by the upper echelons of the ruling party. The policy of “two slaps” that Orbán threatened to implement prior to the 2010 elections to drive away the neo-Nazis simply indicated his refusal to let the extreme fringes overpower Fidesz. Prosecution, the intelligence service, the police, and financial investigative agencies are willing executors of such directives. During the first Orbán government, under László Kövér’s ministerial oversight, the secret services were set up to promote the party’s immediate political goals. By the time of writing this chapter, these organs of state power have become not the party’s but Orbán’s own force. Hardly coincidentally, when struggling to trump Jobbik in the EU parliamentary race, Fidesz threw out an insignificant Russian spy affair that involved a low-ranking Jobbik politician. The left sought to exploit this move for short-term advantage rather than protest against such a blatant misuse of sensitive information to serve party interests. They should have remembered being subjected to similar Fidesz-initiated procedures motivated by similar objectives.

Observing the law in the mafia state is a matter of the Patriarch’s decision at least in the sense that he deliberates over what is brought to the courts—another institution wriggling to hold onto the remains of its autonomy. No wonder that, according to Orbán, the idea of impeaching the president is an “absurdity” of the United States’s liberal democracy, far beyond Hungarian imagination. Sadly, judging the use of state prosecution in light of party interests was not foreign to oppositional circles either.

- **Domestication** as well as the political and **financial smothering** of the genuinely subversive forces represent the essence of the mafia state’s tactics to deal with the opposition. The former’s superior method of preventing the latter’s breakout from subordination is **the “customization” of electoral laws**. The 2014 elections were no longer free and evenhanded, although the system was less overtly and unequivocally rigged as in the Horthy era. The legal readjustments preceding the municipal elections and the restructuring of the Budapest self-government exemplified the mafia state’s readiness to change the law according to its momentary interests and recklessly employ an array of schemes. Regarding its current and possibly long-

term situation, however, of all the problems inherent in the voting system, the **lack of proportion** is the main reason why the Orbán clan can maintain its grip on power. The voting law itself is geared toward polarization, the streamlining of the opposition. But in order to make it work that way, all democratic oppositional forces would have to be jointly mobilized **on a radical and critical platform** to overthrow the System of National Cooperation (NER) and rebuild the democratic state based on the rule of law. In its present condition, unfortunately, the opposition is entirely susceptible to Orbán's divisive, taming, and mutilating policies. The oppositional parliamentary representatives have taken the oath to the Orbánist Fundamental Law. It was but the first step of their cooptation into the system. The next and more important one will be their settling into a quasi-permanent oppositional status. With some self-deception, they might mistake their domestication for rebuilding.

The MSZP has proved that, given its aging or dying electorate and counterselected, if not compromised, politicians, it cannot live up to its ambition to be an alternative to the ruling party. Secluded in its ivory tower, it was unable to alleviate its predicament in the latest municipal elections. The party is immersed in debt; its financial resources are dried up, and it is bound to go on dickering, susceptible to blackmail and intimidation. The LMP—irrespective of its members' self-perception—is the most efficient tool of Orbán's divisive policy. Its circular thrashing on the left to retain its independence is a guarantee of its inability to mature into an alternate ruling party. The LMP's politicians are at times willing players in the parliamentary theater; at other times, they pose as the fiercest enemy of the regime. In accordance with the foundational Schifferist idea, however, they insist on being equally antagonized by the "failed neoliberal scheme of the 1989–90 regime change." The constant blaming of the other oppositional parties as "pseudo-leftist" serves but to cover up the inauthenticity of the party's verbal subversion. Simulating the presence of liberalism in the legislation, Gábor Fodor merits no mention except as an epitome of the opposition's overall weakness and repression.

Fidesz, apparently, does not even bother to co-opt Together-PM or DK; it seems unnecessary. Fidesz is immune to these parties' attempts to blackmail it and their ineffectual threats. With Bajnai's stepping back, Together was depleted of its remaining stamina in spite of its encouraging performance

at the EU parliamentary elections. Organizationally feeble, lacking a charismatic leader and a potent message, the party's transformative program has fallen apart. PM appears to be competing with the LMP for the small-sized green alternative constituency. DK's pull is also its unsurpassable limitation: it is Ferenc Gyurcsány's party. Even as the most uncompromising critic of the Fideszist mafia state, its mainstay is constrained by its unpopular leader.

Earlier Orbán condemned the left and liberal parties as rootless unpatriotic derelicts who "attack their own nation." In summer 2014 **civil societies became his new target**. A series of attacks against the organizations sponsored by the Norwegian Civil Resource Fund was based on accusations of serving powerful foreign interests. Then the government withdrew the financial means enabling their operations. In doing so, Orbán followed Putin's example. Their obvious aim is to destroy all pockets of autonomy with a potential for political mobilization so that no dissidence can grow out of the public sphere. The former attempt failed, so a second should not even be necessary. After all, so goes the Orbánist argument, how could anyone hired by Western agencies seeking to expand their influence express any valid discontent about the political system? How could those "traitors" financed from abroad be trusted when they disregard the Hungarian state's interests? The mafia state's task is to do all it can to knock out civil organizations that take a closer look at its apparatchiks' filching hands, ask unpleasant questions, reveal hidden truths, and instigate protests against the dispossession of the country.

- **Media policy**, more specifically, the isolation of dissident media, **represents a crucial tool of Orbán's treatment of his adversaries**. In our present globalized media world no realistic attempts could be made to mute subversive voices as it is done in dictatorships. It suffices to ghettoize the oppositional media's public. The state's policy makers figured that the regime is not jeopardized by this public of half a million people, especially if the possibility of intervention or manipulation is kept hanging over their head. To bolster the state's legitimacy, it is even helpful to demonstrate that antiregime acts are allowed to happen in Hungary. A number of strategies are deployed to deny the broader public free access to credible information, including the putting of public media in the ruling party's service; the directed placement of governmental commissions on the advertising market; pressure exerted by the mafia firms through their own ads; direct and

indirect acquisition of shares in major media; and the harassment and smothering of the barely tolerated oppositional outlets. All of this places a considerable constraint on the reach of dissenting views. Few would doubt that in a scenario where the government's grip on power weakened, its arsenal of tools to tame, intimidate, and suppress the media would be immediately put to use.

"The stronger is always right and the weaker will be crushed," proclaimed Orbán in summer 2014, formulating the core of his political credo. It was not his purpose but his actual accomplishments that he was referring to. He was, and still is, confident that the griping of both the opposition, fragmented and struggling as it is, and the Western powers is futile. His political will and acts would not be subjected to checks and balances since that is the essence of the system he has established.

NOTES

- ¹ Every fall since 2004 Fidesz's Foundation for a Civic Hungary has been holding an annual exclusive "civic picnic" for its intellectual and economic circles in a private mansion located in the village of Kötcse by the side of Lake Balaton. Viktor Orbán is the main sponsor of the event.
- ² See Viktor Orbán, "Megőrizni a létezés magyar minőségét" [Retaining the Hungarian qualities of living], Fidesz website, 17 February 2010, <http://www.fidesz.hu/hirek/2010-02-17/meg337rizni-a-letezes-magyar-min337seget/>.
- ³ "A Lehet más a politika kezdeményezés alapító nyilatkozata" [LMP: Founding statement], LMP website, http://lehetmas.hu/upload/10/10/200812/Alapito_nyilatkozat.pdf.
- ⁴ Balázs Böcskei, "A baloldal esete az LMP-vel" [The left's encounter with the LMP], in *Padlóról padlóra* [From floor to floor], ed. Balázs Böcskei (Budapest: L'Harmattan, 2014), 68–69.
- ⁵ Tamás Bauer, "A Schiffer András-jelenség" [The András Schiffer phenomenon], *Magyar Narancs*, 6 January 2011, 58–59.
- ⁶ Márton Kozák and Bálint Magyar, "Szürkéségből sötétségbe. Szociológiai okok, koalíciós felelősség" [From twilight to darkness: Sociological causes and the coalition's responsibility], *Népszabadság*, 4 June 2011.
- ⁷ The scandal erupting about the distribution of parliamentary committee seats involved the MSZP's consent to granting Jobbik the top post in the National Security Committee.
- ⁸ Elek Tokfalvi, "A Fidesz megvalósította a Jobbik kormányprogramját" [Fidesz fulfilled Jobbik's governmental program], *Hírszerző*, 9 December 2011, http://hirszerzo.hu/nyuzsi/2011/12/9/A_megvalosult_Jobbikprogram_VZGVOE.

- ⁹ Szilvia Nagy, "Leszámolás zajlik az MSZP-ben?" [Is there a showdown in the MSZP?], *Hírszerző*, 5 March 2010, http://hirszerzo.hu/belfold/142295_leszamolas_zajlik_az_mszpben.
- ¹⁰ For more details, see Zoltán Ripp, "Bukás és elmaradt megújulás: az MSZP 2010-ben" [Defeat and the missed renewal], in *Magyarország politikai évkönyve 2010-ről* [The political annals of Hungary, 2010], ed. Péter Sándor and László Vass (Budapest: Demokrácia Kutatások Magyar Központja Közhasznú Alapítvány, 2011), DVD-ROM.
- ¹¹ Ildikó Lendvai, "Levél a baloldalhoz" [A letter to the left], *Népszabadság*, 26 April 2010; "Karácsony Ágnes interjúja Lendvai Ildikóval: 'Lehet más az MSZP?'" [Ágnes Karácsony's interview with Ildikó Lendvai: "Can the MSZP be different?"], *168 Óra*, 29 April 2010.
- ¹² Ferenc Gyurcsány's speech held in front of the party's chairmanship, quoted in Tamás Lajos Szalay, "Gyurcsány: minden hatalmi harcot kikerülök" [Gyurcsány: I avoid power struggles], *NOL*, 6 October 2010, http://nol.hu/belfold/gyurcsany_minden_hatalmi_harcot_kikerulok.
- ¹³ András Balogh's interview for the Hungarian Telegraphic Office (MTI) before the national congress titled "Searching for a Way Out" organized by the department of workers' advocacy of the MSZP on 13 November 2010, http://www.mti.hu/cikk/2010/11/13/balogh_vissza_kell_lepniuk_azoknak_akik_az_mszp-t_nehez_helyzetbe_hoztak-513003.
- ¹⁴ Attila Mesterházy, "Az építkezés ideje. A Magyar Szocialista Párt tennivalói itt és most" [Time to rebuild: The Hungarian Socialist Party's tasks here and now], October 2010, <http://mesterhazyattila.hu/files/Vitairat.doc>. Mesterházy was leader of MSZP 2010 to 2014. This document failed to resonate within the party, and even less outside of it.
- ¹⁵ For more on this, see Zoltán Ripp. "A rendszerellenzékeség dilemmái és a kiütéskeresés" [The dilemmas of being the regime's opposition and searching for a way out], *Mozgó Világ*, August 2011, 3–17.
- ¹⁶ Zoltán Lakner, "Mi az ellenzék mostanában?" [What is the opposition nowadays?], *24.hu* 21 April 2011, http://fn.hir24.hu/itthon/2011/04/20/mi_ellenzek_mostanaban.
- ¹⁷ For the political manifesto of the Hungarian Solidarity Movement, see "A Magyar Szolidaritás Mozgalom politikai nyilatkozata" [Policy Statement of the Hungarian Solidarity Movement], Szolidaritás website, 29 January 2012, http://www.szolidaritas.org/files/1/a_magyar_szolidaritas_mozgalom_politikai_nyilatkozata_javitott_120131_v3.pdf.
- ¹⁸ György Vári, "A Szolidaritás útja" [Solidarity's Path], in *Tarka ellenállás. Kézikönyv rebelliseknek és békéseknél* [Colorful rebellion: A handbook for rebels and peace-niks], ed. Péter Krasztev and Jon van Till (Budapest, Napvilág, 2013).
- ¹⁹ Attila Ara-Kovács and Bálint Magyar, "Stratégiák egykor és most. Ellenzéki Kerekasztal 1989-ben és 2012-ben" [Strategies then and now: The Opposition Round Table in 1989 and 2012], *Magyar Narancs Online*, 12 January 2012, <http://magyarnarancs.hu/publicisztika/strategiak-egykor-es-most-78232>.
- ²⁰ Balázs Böcskei and Gábor Rácz, "A Szolidaritás két éve—mi marad a mozgalomból?" [Two years of Solidarity: What remains of the movement?] *Intézet a*

Demokratikus Alternatíváért website, 26 September 2013, http://ideaintezet.blog.hu/2013/09/26/a_szolidaritas_ket_eve_mi_maradt_a_mozgalombol.

- ²¹ Ibid. Solidarity joined with Együtt 2014 to form Together 2014 on 26 October 2012.
- ²² “Baloldaliság. Remény. Erő. Adalékok az MSZP stratégiájához” [Leftism—Hope—Strength: On the strategy of the MSZP], *EuroAstra Internet Magazin*, 11 May 2012, <http://www.euroastra.info/files/Baloldalisag-Remeny-Er%C5%91.pdf>; on this, see Balázs Böcskei, “Uralmi kísérletek a civil szférában (és kudarcaik)” [Attempts to rule in the public sphere (and their failures)], in *Padlóról padlóra* [From floor to floor], ed. Balázs Böcskei (Budapest: L’Harmattan, 2014), 97.
- ²³ For the relevant arguments, see Zoltán Ripp, “Az ellenzéki felelősségről” [On the opposition’s responsibility], *Mozgó Világ*, May 2013, 3–9.
- ²⁴ Gordon Bajnai, “Köztársaság, kiegyezés, kilábalás—Vízkeresztkor Magyarországról” [Republic, compromise, and recovery: About Hungary on Three Kings’ Day], *hazaeshaladas.blog.hu*, 9 January 2012, http://hazaeshaladas.blog.hu/2012/01/09/koztarsasag_kiegyezes_kilabalas.
- ²⁵ Dániel Pál Rényi, “Tolató mozgás” [Reverse movement], *Magyar Narancs*, 17 April 2014, 12. I will continue to draw on the facts uncovered by this article in the rest of my writing.
- ²⁶ The coalition named Ulivo [Olive tree], in existence between 1995 and 2007, was initiated by Romano Prodi to bring together the center-left forces of Italy.
- ²⁷ Antónia Rádi, “Együtt Kétezernvalahány” [Together Twothousand something], *Heti Világgazdaság* 36, 7 September 2013.
- ²⁸ This term “irrefutable proposal” was used by Viktor Szigetvári, copresident of Together-PM, back in September 2013. See “Lehetséges-e alku az Orbán utáni Fidesszel?” [Is it possible to make a deal with Fidesz after Orbán?], *Népszava*, 15 September 2013.

Attila Ara-Kovács

Diplomacy of the Orbán Regime

The Crisis of the Hungarian Model

According to the rhetoric of the current government, the change of system has failed; the past twenty-five years have seen not the development of a democratic system, but a socially unjust society, which has lost its national character. This last trait is emphasized through the reduction of Hungarian sovereignty by it joining the European Union. On this point the opinions of the Hungarian far left and the increasingly radicalized right wing, Fidesz included, are in far-reaching agreement.

Could this really be the case? In light of the current turmoil in the Ukraine it is safe to say: definitely not. In light of the news reports detailing Russian troops invading the Ukraine, which are reminiscent of the 1956 and 1968 invasions, it is even more terrifying to think what would happen if Hungary were not a member of NATO and were outside the European Union. The best, I emphasize, the best scenario to characterize the near future, is the escalation of a new cold war. Only worse possibilities can come to pass. A war is still a war if it is not “hot” but “cold.” Many of us have vivid memories of this. But luckily today we stand on the other side.

After 1989 the Hungarian political elite were still sober in their assessment of the country's capabilities and the political parties of the government were able to reach a consensus. At that time joining the Euro-Atlantic nations was considered a priority. This goal was not merely an aspiration toward a **European Union** perspective but also heavily emphasized our **transatlantic** obligations. This coincided with the intentions of Western

democracies at the time, since for them it was equally obvious that Europe's political borders should be stretched as far as possible.

When the above-mentioned doctrine was worded (1990), the Soviet Union was still in existence; when Hungary became a member of NATO some ten years later (1999), it was no longer. Even if serious doubts about Russian intentions were not discussed then, we are forced to face these aggressive expansions now, so caution must have seemed a justifiable approach at the time.

Currently the interests of Western nations and Hungary, conversely those of the Hungarian government and Hungary, do not coincide. The Orbán government is attempting to create internal political power by giving up the sovereignty that we gained through alliance with the Euro-Atlantic nations. This is not a newly conceived attempt, since the dictatorial systems in Hungary throughout the twentieth century did much the same: first Germany, then the Soviet Union guaranteed, through systems of closed political alliance, that in exchange for the sacrifice of foreign political sovereignty and integration into the economic sphere of interest the currently ruling cast would get free reign to stabilize their political power, for the growth of a narrow ruling class and to the detriment of the majority of society.

Fidesz successfully deterred the Hungarian model of 1989 from the path offered by the change of regime. This happened when after losing the 2002 election Viktor Orbán announced “the homeland cannot be in opposition,” and with this he began a sort of civil cold war. This is when the Hungarian recession began—not the recession of the societal model, but of everything that came after the change of regime. The past four years (2010–14) have made this process lethal and perhaps irreversible. The hundreds of thousands who fled the country based on sober and painful decisions exemplifies this the most.

The Character of Orbán's Politics

The answers given for the recession and the will to maintain power at all costs often gave birth to movements in Europe and its peripheries that pin their liberal ideals and politics on their flags while rebelling against the internal systems of open societies. This society stripped them of being the sole player and made of them a political party or movement among many

others.¹ The others, as products of nationalism, were quick to surround their movement with efficient—i.e., supplicant and loyally eager—political groups. They attempted to spread their political influence over the economy by radically reforming the system of ownership. Or, as is common with the mafia, they arranged parallel economic and political networks operating outside the law, thereby creating societal groups that worked on the borders of legality, sometimes overstepping the line but always maintaining and often increasing their influence over everyday politics.

Typically, these characteristics fit political parties, which volunteered, among developing societal conditions, to reshape these conditions. In order to expedite this reshaping process they attempt to jump over certain developmental stages, thereby creating well rooted, irreversible situations, new societal models, through new types of societal groups.

Today Viktor Orbán is attempting to build a system in Hungary by combining the methods of three European political experiments and learning from their mistakes. For the uninitiated observer it is not yet clear which strategic/creative methods were used in importing the ideas and under what considerations these have been coupled with locally useful methods. Yet, it remains a fact that a whole procession of not unskilled diplomats who are close to Fidesz also served in countries which displayed efforts similar to Orbán's, so there is no objection to the importation and then "Hungarianization" of these ideas. On the other hand, the importation into Hungary of the above mentioned strategies can first and foremost be assessed by those who have previously faced and assessed their failure abroad. Therefore, considerable cynicism is required of a diplomat to recommend these methods for Hungary.

These methods are rather unusual, emphatically conflict seeking, and their essence is to deny, or at least impede cooperation beyond the limits of the nation. Their starting point is always the same: that they wish to achieve their goals through radical action, for which they use unbridled populist politics, party politics, and/or misleading governmental communications.

One of their important aims is to create a new elite, not one dedicated to intellectual and cultural values but one characterized by economic and political devotion.

Then again, it will be worth it to investigate how the system and its definitive self-image change once the antiliberal intentions and social practices fail to impress the world and achieve quite the opposite by making the

country practically a pariah. Orbán's ideas did not find European followers, only despotically inclined partners in crime; after 2010 the prime minister will have to go to Brussels, Berlin, or Washington with batted eyelids—if he receives an invitation at all. Only the presidents of Azerbaijan or Kazakhstan will give him an honorary welcome.

The Two Cipollas: Berlusconi and Orbán

Even the superficial observer will notice in the first instant, how Silvio Berlusconi—who was three times Italy's prime minister between 1994 and 2011 as leader of the center-right party Forza Italia—and Viktor Orbán differ in character. While the former is an informal, vivacious, and sociable person for whom power is a building block of the character he has amassed of over the past eight decades,² the latter, Viktor Orbán is stiff and cannot tolerate inconsistencies even in himself, though he is forced to improvise perpetually. His actions are determined by his voluntaristic self-confidence in opposition to reality, which, along with his sole desire to gain power makes exposes his moody alien fakeness to everyone.

Another difference between the two is that while Berlusconi came from business life, with a serious financial background, Orbán entered politics straight from the school bench, and then grew his businesses from politics. This defined the methods by which they relate to their allies. Orbán always wanted to oversee everything, and there is no doubt that in the future he intends to do the same: if people wish to stay in the “adopted family” and in that exclusive system, which was built under Fidesz political rule, they need not only be loyal, but must again and again refresh their obeisance, occasionally making a sacrifice and demonstrating that they are aware of their inferior position and what is more, consider it an asset.

In the case of Berlusconi there was no such thing; although it is true that, similar to Orbán, only fifth tier intellectuals remained by his side; he allowed his heavyweight allies enough room for movement so that they did not have to give up their autonomy. This was characteristic of at least the pioneering first years of his party and his first term as prime minister. Berlusconi may not forget, but he is pragmatically ready to forgive; Orbán does not forget either, but he is capable of taking revenge at any time, even to the detriment of his own interests.

They are similar in that they both graduated with law degrees and neither of them came away from university appreciating the importance

of the law, but rather with the intention of finding, opening, and using loopholes in it.³ In power, both gained a level of influence which in and of itself makes the normal workings of democracy impossible. Orbán can be observed in the act; Berlusconi was more hidden in this dimension, but no less dangerous. Alexander Stille, who provide one of the most in-depth analyses of the core of this system, said in an interview:

The problem with Berlusconi is structural and deeply political: from the moment he entered politics it was perfectly obvious ... that allowing someone who was the largest media owner in the country—Italy's richest man with a virtual monopoly of private television to be simultaneously the prime minister with control over the state broadcasting system, his principal competitor, and the other major source of public information—would result in a total disaster for Italy and its political system.⁴

For Orbán, this majority of power is called the two-thirds.

When Orbán began conquering the Hungarian right wing, a very similar situation to that of Italy was exposed on the rubble left by the center-right Hungarian Democratic Forum (MDF): at the end of 1993 the death of József Antall, who bore significant political weight, brought uncertainty to the political center and the inexperience of his successor, Péter Boross, furthered by the socialists' enticing offer to the once party-supporting apparatchiks—mostly secret service officers and their collaborators—all served to weaken right-wing confidence. They considered themselves weak and without a chance. They were ideologically confused so they gave up on their reservations about Orbán—who till then had been considered liberal—as soon as they sensed the power of his rhetoric and the undeniable coherence of his forceful ideas.

The Italian "brotherhood," Forza Italia, and the example of Berlusconi are responsible for strengthening the intentions of the Fidesz leaders to put the creation of their own private financial independence before all else, and simultaneously to develop a media empire, with which to reach not only their followers, but also those who can be wooed. Typically this helped create not quality, but—similarly to Berlusconi—tabloid media. They did not in the least attempt to reach the actual cultural elite, since it was never their intention to support or create cultural life, only to support the proprietary classes, which at that time had quantitative, not qualitative expectations.

The structuring of their party economics is also similar, which prosecutorial investigations and even a few cases that got to court have made clear. Through informants—one of them probably being Berlusconi's brother—the party sought out and found a connection with the mafia, and later, when in power, Berlusconi supported under-the-table political and economic matters that were retroactively legalized later on, the monopolization of certain markets, and the avoidance of accountability.

Berlusconi was never secretive about his intention to rule through social cohesion as opposed to political power and so uphold, carry to success, and lead—that is, to control—his political movement. As the owner of the football club A. C. Milan, he knew the conditions that created and maintained supporters. He named his party after a football slogan (*Forza Italia!* [*Go, Italy!*]), which Fidesz appropriated as “*Hajrá, Magyarország!*” (*Go, Hungary!*), after their first-round loss in the 2002 elections, as the main slogan of their bid to stir the masses into action.

Forza Italia was by no means a traditional party. It was comprised of a myriad of clubs, some 15,000 nationwide. They were easily mobilized and did not expect an ideological message; its members were satisfied with inherence, which Berlusconi occasionally reinforced with personal messages, rhetoric promising rapid prosperity and the successful solution of problems. When confronted with doubts the party head/prime minister swept them aside with jovial open-handedness announcing that he would become incredibly rich through his business ventures, so he knew the secret and soon he would make the whole of Italy incredibly rich. While this organizational structure was enough to mobilize devoted followers, it was not capable of attracting new ones—“there were lots of them too, but not enough”—to keep Berlusconi in power after the Eastern League left the coalition. From all this, the politician concluded that the possibilities of dissent from the lower ranks should be eliminated by exercising hands-on control from the top. After this, *Forza Italia* became a mechanical political machine, in which approval from the top was needed for anything to happen.

While this strengthened the party temporarily, its success in the 2001 and two 2008 elections were due only to one-time coalition partners and to the fact that many voters chose to turn their backs on politics. Despite this, criticism from Italian commentators, international media, and European Union partners was on the increase, so that Berlusconi found he could no longer count on his intellectual supporters after the definitive leading,

internationally recognized members of Italian culture made it know that their moral obligation to rid Italy of “Berlusconi-ism.”⁵

In 2002 Orbán realized that the party that stood behind him was insufficient to win the election, so he, too, took Fidesz into his own hands, and built around it a fake civil society, the “citizen’s circles,” which later began working on political assignments as the “civil unity.” Orbán took this further than Berlusconi ever did. Orbán had studied Berlusconi’s victories, but if he had also looked at Berlusconi’s defeats (such as the lawsuits brought against him, let alone the fact that he went to prison in 2013), Orbán would have realized that following in this path was fraught with risks. A few years later, but before Fidesz’s rise to power in 2010, the consequences of this were beginning to shimmer through.

As the years passed, Orbán lost the support of the cultural elite, and the solidarity of those who joined him for money as opposed to ideology also seemed to be cracking. Additionally this autocratic, i.e., undemocratic, leadership exercise had already stripped Orbán from the invaluable option of feedback; stripped him from reasonable governing. In the short run this must have been comfortable for him, but in the long run it is unavoidably counter-productive. Just one example: during the course of the 2010 campaign there was not a single person in his circle of professors and self-proclaimed economically conservative people who dared confront Orbán with the fact that the party had no idea how they would implement the financial reforms they promised, or what direction the party should take after the elections. No one was able to force him to present the voters, or at least the party’s supporters, with a genuine and coherent political-economic plan. And if there was not one before now, then there will certainly not be one in the future.⁶

Along with his chosen partners (Forza Italia, Il Popolo della Libertà), Berlusconi emphasized the party’s national unity as opposed to presenting it as an ideology and the movement of a single social layer. Although it would be logical to deduce from this that it is a receptive movement that considers all Italians equal, this is not the case.⁷ By naming its political opponents, the Italian right wing also branded them, thus exiling them from the political nation. Before Berlusconi, numerous parties and coalitions helped maintain a delicate political balance within democracy. With Berlusconi, a two-party political system was created, which from a right-wing perspective consisted of Italians and traitors, and from everybody else’s perspective,⁸ a right-wing conglomeration and those who defend democracy from the right wing.

Orbán reached this point very quickly: that is, from the branding of political opponents to splitting society in two. The political milieu, in which declarations such as “the left wing attacks its own nation whenever it can” are acceptable, while Orbán’s self-description, according to which “the nation [that is, he himself] cannot be in opposition,” leaves ample room for biased interpretation. The camp of Fidesz supporters is delighted to decode these announcements: the left wing is considered a foreign entity, for which there is plenty of proof over the course of history, and anyone who dethrones Orbán or causes Fidesz to fail is committing high treason. For Berlusconi and Orbán the mechanisms are perfectly identical, yet their results are brutally divergent, since dedicated right-wing supporters automatically see hatred for outsiders in Orbán’s rhetoric, something which Fidesz protests against ever more weakly, and which—because of the present atmosphere—is racist even if the ostracization is not ethnically motivated. While Berlusconi’s believers “only” banned their enemies from the political nation, many of Orbán’s followers do not consider their opponents human beings, let alone members of the nation.

Then again, Berlusconi only stretched the limits of a liberal democracy, but was unable to break it up. First, because he lacked the power to create a one-sided constitution, and second, because the possibility of creating—through extralegal and economic methods—a power-dependent elite did not even arise in a stable society with legitimate proprietary conditions. There, centuries of natural progression created property rights, and so the people did not, and still do not, consider these illegitimate; there is no social support for taking the property of one party and distributing it to others according to populist national ideologies like there is in today’s Hungary.⁹

The Opium of the People: Kaczyński and Orbán

The Polish right-wing national-conservative party Law and Justice (PiS), founded by the Kaczyński brothers (Lech and Jarosław) aimed to be the first to propagate the new Eastern European right-wing ideology. The collapse of the left wing in the early 2000s gave an opportunity to the party to realize their program molded from clericalism and anti-Russian nationalism. It was not solely opposed to the left wing but also to the Western European liberal right wing. It aimed to serve not only the masses drawn to fundamentalist conservative values and right-wing ideology, but also

those who still missed the political order of the communist system. These were manifest since the founding of PiS, and in accordance with the clear intentions of the founders. Later developments may have shaded but by no means modified their intentions.

PiS's radical turn to the right wing later gave opportunity to the Civilian Platform, a center-right liberal movement, to call upon the broad entrepreneurial class, who gained economic and therefore easily politicized power from the reforms (the Balcerowicz plan, named after the finance minister) of the Mazowiecki and Bielecki governments between 1989 and 1993. Reducing populist tendencies was not limited by the self-control of the parties who eroded democratic conditions both from the left and the right. The embodiment and soul of the "right-left conversation" was a new central party subject to centrifugal populist forces that distanced itself from political powerhouses.

But let us not have any illusions—the presence of the center-right liberal government is guaranteed by exactly the same factors that can make its future so uncertain: they refused to engage in conversation with the radical parties and they ignored the reinvigorated democratic left wing. The question is whether its lonely central placement will be enough to maintain power or result in its death, or whether it will be forced to seek coalition with the left wing. Therefore, if the Civilian Platform, given the current government, proves to be but an episode, discourse between political parties in Poland may once again become impossible.¹⁰

The two Kaczyńskis came to the same conclusion from the victory of the Civilian Platform as Orbán did from his defeat in 2002: that under democratic circumstances, with what could be considered a normal alternating economy, their party may be successful, but they would also—as the voters wished—have to hand over power to their opposition. The two brothers—like Orbán—wanted to create a countermovement, which was long-lasting—arching over at least a few cycles—and would stabilize their place in power, and which requires permanent, not just political, dedication, but faith from the supporting block.

A "new right-wing" ideology was required for this, which simultaneously considered the Western rules of democratic play an embarrassing burden and also made liberalism, along with the left wing, public enemy number one. This ideological profile denies the intention to modernize that Eastern European left-wing political structures experimented with to survive, as if escaping forward; and at the same time the serious determi-

nation that the Polish right wing would adapt Western examples for the majority of its political activity. They are attempting to create a unique Polish version of conservatism, one in which it is not a sin, but rather a virtue, to rule through power, and in which aggressive nationalism leans on a central pillar of power and status, not excluding anti-Semitism.

The rapid fall from power of Jarosław Kaczyński's government—elected in autumn 2005 and forced to leave by autumn of 2007—demonstrated the limitations of this ideology. These are that under the conditions of the twenty-first century a movement such as this is only capable of being successful if the balance of society and politics are tipped; the transitional success of PiS perfectly demonstrates how the complete collapse of the left wing caused Polish society to lose their normal political sense of direction. However, as soon as this situation changed, the voters immediately noticed that the Kaczyńskis' movement was unbearably arrogant even toward its followers and that the purported anticorruption processes and investigations only served to find their source, restructure, and push certain layers out of purely political motivation. The widely lauded "moral revolution"¹¹ was simply a cheap, and what is more, vapid red scare. PiS was quickly left without its coalition partners, and its supporters were increasingly comprised of characters who were considered *persona non grata* by other political movements.

By the time of the first Orbán cabinet Fidesz was long past its first right-wing turn, but its ideology was more eclectic than radical conservative. The loss in 2002, and the following eight years in opposition, radicalized the party and its ideology, making their conservatism increasingly archaic. Fidesz gradually caught on to the worldview offered by PiS, but after 2007—following PiS's defeat—the process became faster. The cult of Piłsudski dating to between the two world wars found its natural home in Hungary in the form of the Horthy cult, also dating from between the two world wars, and anti-European Union sentiment increased along with it; Fidesz received increasing foreign criticism for its ever unfair and undemocratic oppositional behavior, and the international community became more suspicious over the nationalism Orbán propagated, and the hatred of outsiders that went unchecked by Fidesz. The parallels are endless. When Fidesz—already with a two-thirds majority in parliament—placed their version of the constitution on the table in 2011, it reflected an entirely polished ideological standpoint that could have easily been written by PiS.

Furthermore, before 2010 it was clear that Fidesz idolized PiS. Following the victory in the 2010 elections these connections were appropriately instituted, not only between the two parties but on a state level. Regular guests at national celebrations were not the Donald Tusk-supporting, liberal right-wing Civilian Platform representatives, but people from PiS and among them first and foremost the most radical. Though both the Civilian Platform and Fidesz are members of the European People's Party—not counting Foreign Minister Radosław Sikorski's call to diplomats to "protect the Hungarian partners from unjust attacks"¹²—there are few indicators of cooperation, while with PiS there are numerous shared international and party-political programs. Not only have the Kaczyńskis' representatives been welcome at Orbán government-organized "peace marches" since 2012, but the members of the "peace march" also parade—sometimes rowdily—together with their ideological brothers at the Polish independence marches.¹³

Since 2010, Fidesz's weight has considerably grown in the eyes of the Polish radical right-wing party. Today, the Hungarian party serves as an example for many PiS supporters. This is exemplified in a book about Orbán released in Poland recently,¹⁴ the simultaneously released big interview, and a research analysis of Fidesz's political tactics.¹⁵ Without beating about the bush, they call on Jarosław Kaczyński to "follow the Hungarian road," and if he does not, PiS will have to find their own Viktor Orbán.

Replacing the Elite: Putin and Orbán

Economic and social frustration in the post-Soviet region became typical not only of the exploited lower echelons of society but with time became increasingly characteristic of the political elite. The former viewed the elite as a politically corrupt unit, which was incapable of leading. In opposition, the elite perpetually relied on claims of a society deficient in democratic values to justify why they are forced to neglect democratic norms from their governance.

Fjodor Lukjanov was the first to bring attention to the cyclical recession¹⁶ that perpetually overruled political alliances and most importantly the alliances between political decision makers and the defining factors of economic life, proving the futility of democratic endeavors.

In the European states of the post-Soviet region without exception we find those—more or less influential—mostly right-wing political

movements that make it their aim to reimagine the democratic processes that were undertaken by the change in system following the collapse of the Soviet Union. That is, they wished to create a unique local political system, which meant establishing new proprietary conditions, redacting the methods adopted from the West, and also setting up, according to their desire, soft autocratic mechanisms that—according to them—would end the returning recessions. But the striving for this goal has been by far the strongest in Russia—wrestling with this situation for some two decades—and, since 2010, in Hungary.

During his period in opposition between 2002 and 2010, Viktor Orbán diligently propagated the anti-Russian sentiments of his close ally, President Traian Băsescu of Romania, also shared by Lech Kaczyński, head of state, and Jarosław Kaczyński, prime minister, of Poland. Following his victory in 2010, Orbán began hitting a more peaceful note not only because Hungary was far more exposed to Russia in terms of trade and energy than Poland or Romania, but also because he had reached a similar conclusion with regards to his people, as Vladimir Putin had earlier.

This “image of the nation” fully coincides with all that motivates the intentions of the new Russian political elite since 2000, who were in many respects influenced by the “practical” examples laid down by “foreign neighbors,” the normative expectations of the Western nations and the—mostly formal—adherence they require. Putin’s system is halfway between Alexander Lukashenko’s Belarus and—let us say—the post-1989 democracies of Eastern Europe, but it moves only very slowly on this scale, as if it were fixed in its own space, in a unique mix of a declared democracy and restrained autocracy. (Orbán moves on this very same scale, distancing himself from Eastern Europe and getting closer to the contemporary systems of the post-Soviet region.)

Though Orbán’s world concept has long been congruent with what Putin thinks about the world, his vision for how to lead the country developed not out of the economic difficulties that restrain his movement, but from seeing the inherent dilettantism of governance and the difficulties this entailed. The first Orbán government, despite being forced to endure all the negatives of the prime minister’s voluntaristic nature, cooperated with a number of great professionals, and the majority of Fidesz’s parliamentary representatives were far better equipped and prepared—in respect to their personal autonomy—than the professional and cultural preparedness of the current parliamentary representatives. The current

catch-22 situation leads governors to pursue unusual (that is, extremely risky) solutions, in addition to being perpetually inconsistent in its methods, using drastic changes in direction from one day to the next, trying to survive the cycle.

In this respect Orbán's and Putin's systems are also very similar: both hope that, if—regardless of the tools they choose—they manage to set their power in stone, this will prove the success of their methods and thereby also legitimize the resulting system. However, while the unusual, democratically uninterpretable decisions of government are financed by vast carbon-based fuel resources in Russia (i.e., they make life bearable for the population and facilitate isolation and independence from the outside world), Orbán, within the European Union, with barely existing natural resources, cannot be successful in the long run.

Then again, the two systems in question operate on near identical logic, and, therefore, primarily Putin cannot ignore in the long run—from the perspectives of Orbán and Putin—the obvious advantages of these similarities. For the Kremlin, Alexander Lukashenko's system is quite a burden, but they provide finance in the certain knowledge that they can use Belarus against its internal opposition, the European Union, and the internal democratic factors that would wish to follow the European trends.

Putin and Orbán hold similar philosophies on the beneficial marriage of the economy and politics. Putin made allies of the successful by-products of Yeltsin's plural social processes of fast and extremely contradictory privatization, and when they made a move toward oppositional politics, he removed them from the public sphere. Those who remained by his side were not sanctioned, but they could not keep their strategic influence.¹⁷ As a result, a sort of new elite was formed, characterized not by creativity and competition, but by moving according and adhering to the instructions received from above. This is a societal model upheld not by progress but by the consequences of the total monopolization of power. The members of the Russian governing party, Unified Russia—that is, the parliamentary representatives—are in no way more accomplished than Fidesz's parliamentary representatives, since they also gained their places in the State Duma by being able to vote for and pass into law, without causing internal conflict, the ad hoc values that serve the government's interests.

If we wish to characterize the currently emerging Hungarian political and financial elite, it is sufficient to look at the elite that developed in Russia, regardless of the differences in size and that in Russia they accept

and live with the opportunities globalization has provided, while Hungary locks its doors and isolates itself from the world. In the cases of Berlusconi, Putin, and Orbán, similar cults of personality have grown around their personal ascent to wealth.¹⁸ With regards to full governmental control over the media, the personalization of the legal system and the full politicization of the church, the differences can be measured only in subtle shades between the Russian president and the Hungarian prime minister.

Further similarities: neither the Hungarian nor the Russian governing party has an actual program. They rule through day-to-day decisions and serious mafia structures ensure that the intertwined nature of the economy and politics stays out of the public eye. To achieve this they reinterpret the past, both in political communication and in school books.

The Margins of Hungarian Foreign Policy¹⁹

The European Union is forced to face unprecedented conflicts both within and outside of its borders. After the development of the Hungarian post-communist mafia state between 2010 and 2014, the framework for interpretation—adopted by the European Union after the 2004 *Drang nach Osten*, which considered democratic deficiencies in Eastern European societies as teething difficulties, that, they hoped, could be outgrown with sufficient treatment—has lost its efficacy.

Inside the Limits

The autocratic “central field of power” that has developed in Hungary, once considered the region’s most dynamically modernizing and democratizing country, demonstrates that the stabilization of liberal democracy is only one option. Eastern European post-communist countries are susceptible to developing into autocratic systems, thus stabilizing their power. From the EU’s perspective it is questionable what sanctions or methods could return these countries to the road of liberal democracy, or, if these methods fail, whether they are capable of throwing out these countries from the community or not. The system of sanction according to Brussels is built on two prerequisites. First, that integration is a shared value, which gains its efficacy from the coherence and unity of the shared value. Second, that the politics of member nations should consciously accept and follow the principles

of a liberal democracy, and that divergence from this can only be unintentional and short-lived. The system of sanctions is only effective given these two prerequisites; in any other case—as a final solution—the natural solution would be to excommunicate the country from the community. That is, if a unified system of shared values cannot be established, and some members do not strive to rid themselves of deviances from these shared values, then the organization, in the interest of its own protection, must throw out the offending country or countries from its midst.

Since Hungarian society can sense that the “central field of power” systematically opposes the EU’s shared values, the question regularly arises of whether Viktor Orbán wishes to eventually lead Hungary out of the EU. However, all things considered, we should not expect Hungary to be kicked out of, or to exit the EU.

Outside the Limits

Recent Eastern European events suggest that there is a geopolitical race between the EU and the Russian-led, still-budding, so-called Eurasian Union. This race is made especially pertinent by the struggle of two big spheres of interest gaining affirmation in a different dimension. On the one hand, the battle between quasi-democratic and quasi-autocratic powers, on the other the framework of an increasingly open, ethnically motivated conflict. The latter is also cultural as, for example, in the cases of the Ukraine and Moldova, where after the Second World War hostility reached far beyond the “onion-domed Orthodox” world and well into the world of Catholic Gothicism.

So the goals of a struggle of values mix with the aims of a struggle for an empire. The struggle is not (necessarily) fought by warlike means. On the contrary: the big powers try to woo the votes of their audience through “bonus activities.” From this perspective, the Belarus of Alexander Lukashenko is to Moscow what the Hungary of Orbán is to Brussels. Russia promises cheap energy and an administratively assured post-Soviet market, while members of the European Union receive EU sources and competitive access to EU markets. The empirelike nature of the struggle is emphasized by both powers prohibiting the simultaneous use of bonuses.

The Ukraine will not be joining the EU in the foreseeable future, if the EU conforms to its values of homogeneity, while the geopolitical goals of the West are moving toward increasingly tight cooperation.

Community of Values versus Geopolitics

The shared value rationality of the EU and the forced geopolitical rationality will in the next few decades exclude each other, i.e., they cannot be simultaneously achieved. If they were to entice the Balkan and Eastern European post-Soviet states into the EU in its current structure, it would lead to the fatal inflation of shared values. If they distanced themselves from this, and considered ousting the semi-autocratic countries within the line—that is, within EU borders—it would give Russia the opportunity to gain Western territory. If Brussels wishes to draw EU borders strictly according to the borders of shared values, it would guarantee the reincarnation of Yalta, in which the historical movement of a system of values overwrites the virtues of political unity. However, while Yalta divided Europe on a strictly north-south axis, it seems that this axis would today run northeast to southwest, irreversibly inuring the Baltic states, Poland, the Czech Republic, Slovenia, and perhaps Slovakia in the EU, while—due to the tendency of political developments—strongly questioning the place of Hungary, Romania, and Bulgaria in this community.

The contradicting system of shared values and geopolitics will dissolve in the two-speed EU system. While Brussels does not yet wish to acknowledge this, every political force is leading in this direction. The eurozone itself constitutes one—one can say: Western—basis for the diverse velocities of the EU. The previously mentioned post-communist countries are either irreversibly embedded members of the eurozone or have governments that, disregarding their ideological standing, are steadfastly pushing for membership within a few years. Others, however—among them Hungary—manufacture a national ideology for permanently staying outside the eurozone. The need for independence wrapped discreetly in the rhetoric of the “national battle for liberty” is in fact the euphemistic expression of the will to be exempt from the norms of liberal democracy. Let us have no doubt that what these countries call the “Europe of nations” is an application for the need to continue building and maintaining quasi-autocratic systems. It is easy to predict that they will be more or less successful in these experiments, since the European Union’s geopolitical consideration cannot allow for the enforcement of consistent political values that the Russian empire spread to the Leitha, i.e., to the western borders of Hungary.

Dethroning Diplomacy

During the time of Orbán's first government (1998–2002) Hungary was yet to join the EU and therefore could not ignore its clear-cut expectations. Despite this, disturbing signs were proliferating (for example, in diplomacy); we witnessed, for example, the “familial privatization” of foreign policy. Ambassadors began to appear who would later continue their careers in Orbán's economy. After 2010 the situation became even more explicit; it was the distinguished function of foreign policy to assist the “adopted political family” with its business ventures—on a wider scale in the form of insurance on power and actual enrichment.

Diplomatic function, as typified by democratic systems, became uninterpretable and therefore unusable for the Orbán government. It was no mere accident that on 6 June 2014 the Ministry of Foreign Affairs ceased to exist and was replaced by the Ministry of Foreign Finances and Affairs, the name of which clearly indicates the change in emphasis. This transformation actually took place earlier, when the Prime Minister's Office created the State Secretariat for Foreign Policies and Finances (2012) for Péter Szijjártó, and the original Ministry of Foreign Affairs that had functioned under János Martonyi was tasked with going through its daily routines, and also to do its best to convince the world that all criticism directed at the government is fundamentally mistaken, untrue, libelous or, at best, ignorant.

Therefore, the current foreign policy priorities are:

- Gain short-term power aims, which can be used to stabilize the government's permanent instability caused by perpetual conflict of interests with global processes
- Deal with conflicts stemming from a separation from previously allied nations (“Freedom Fight”)
- Find allies, and buy wider room for movement for the new, now “national,” “adopted political family” (“opening eastward”)²⁰

This is a sort of final result, but it is the product of a situation in which everything has altered since the change of regime, and where the values of the change of regime and all the defining criteria of the liberal Western democracies are no longer valid.

Confrontation with the Region: Being Exposed to “National Politics”

All that has come to pass since 2010 was not anticipated by even the most dedicated supporters of Fidesz. The confusion, with which the diplomatic service viewed these proceedings, is proof enough. Martonyi’s team, seeing that power would inevitably fall into their laps after the 2010 election, preemptively put his own—quite workable—foreign policy strategy on paper. This was still consistent with the priorities followed by the post-1990 Hungarian governments, stating as its aims: (a) joining the Euro-Atlantic nations, and in depth integration following our joining NATO in 1999 and the EU in 2004; (b) constructive political relations with neighboring countries; and (c) political responsibility for Hungarians living abroad.

The document was based on the assumption that there are still classically interpretable foreign policies, whereas—as do all other policies—foreign policies only serve to stabilize and enrich the “adopted political family.” Foreign policy truly became an extension on the arm of domestic policy. Just as the national fight for freedom signified the self-serving freedom of government opposing the norms of liberal democracy in domestic policy, so the sole purpose of foreign policy became the political and financial protection of this autocratic freedom.

The strategy only became public in 2012, when the first actions of the Orbán government made many of its elements ridiculously untimely and when they added the government’s new, unpleasant foreign policy position regarding its neighbors and Hungarians living abroad.

The confusion that by then had become typical of the entire Ministry of Foreign Affairs should cause no surprise. In the early summer of 2010, a leading diplomat said: “After the first two laws that were pushed through parliament, it became clear to us that normal diplomatic work would no longer be possible. We only have one choice for the next four years—permanent defense.”

The above-mentioned two laws are: the so-called Trianon Law,²¹ which was accepted on 19 May and became effective 4 June; and the “double citizenship”²² law, which parliament voted in on 26 May so that it could become effective on 20 August.

With these two laws the government unified the two, heretofore separate priorities of Hungarian foreign policy: bilateral politics with neighboring countries and the issue of Hungarians living beyond the borders. This served to deepen the gorge between the Hungarian government and

Hungarian political parties abroad, since Budapest emerged in opposition to the foreign parties who rejected the centralized view of the nation. The confrontational direction was enhanced by Fidesz beginning to build its unique relationships with institutions and players whom it created. At the same time, bilateral consensus with neighboring countries—which had functioned adequately till then on a basis of mutual benefit for the sake of EU integration—had all but disappeared.

Both laws significantly reduced the freedom of movement allowed to the Ministry of Foreign Affairs, clearly indicating to the diplomatic sector that the autonomy of the institution would cease, and that aligning to party politics would be obligatory for diplomats. The two laws made it obvious that foreign policy was now subject to national policy.

Since these “national strategy cogitations” did not remain in the drawers of bureaus, their political consequences could already be felt in 2012. The Hungarian communities living in Upper Hungary, Transylvania, Vojvodina, and Zakarpattia Oblast no longer constituted a natural connection with our neighbors, but became the subjects of Hungarian domestic politics, and so the official Budapest governmental politics once again made them a target of majority nationalism. The natural legitimacy of their original citizenship was weakened by their dual citizenship and by being drawn into the Hungarian elections, while their Hungarian citizenship was merely symbolic and superficial, since they were offered nothing in exchange for the destabilization of their political situation, only that every four years they were allowed to do Fidesz a favor and vote for them.

After 1989, and especially after winning EU membership, our European opportunities offered genuine national reintegration and even more: that we could reorganize our society anew beyond our national limitations in cooperation with our neighbors and allies. However, after 2010—and perhaps even somewhat before—thanks to the Hungarian right wing, Hungarians abroad, by dint of the political divide becoming their burden too, grew further removed from the so-called motherland than ever before. In a certain sense, they became the object and symbol of division.

While Fidesz was institutionally and individually eradicating autonomy in Hungary, it took pole-bearing position on populist movements for autonomy across the border, blatantly intending to create Fidesz enclaves in foreign territories. While these goals were achieved, it created such conflict that they bring into question Hungary’s right to remain an EU member.

Hungarian diplomacy is daily reminded of the reality that Hungary must, once again, prepare defenses on every side, the consequences of which are practically impossible to handle. The Hungarian side can be shown to be guilty of decimating relations with its neighbors, and this is known at an EU level. On the other hand, as “the victims of attack,” those governments have risen in their international standing, which had until now been measured in relation to Hungary, and had fallen short in some respect. Viktor Orbán’s achievement was that he alone could be held responsible for the decimation of Hungary’s relations with its neighbors, while simultaneously the prestige of those neighboring countries has grown, to the detriment of Hungary.

With this the first volley of Hungarian foreign policy failures concludes.

Outsourcing the Strategy: “Business as Unusual”

On 4 July 2012 the State Secretariat for Foreign Policies and Finances was created for Péter Sziijártó, formerly the personal spokesman for/of Prime Minister Orbán. The aim of the state secretariat was to boost the Hungarian government’s policy of opening up trade with countries to the east, which was essentially a move away from Hungary’s Western allies. On 6 June 2014 Sziijártó returned to the Ministry of Foreign Affairs as the head of a large delegation, whose members then took over the leading jobs at the ministry. Instead of Martonyi’s **business as usual**, Sziijártó took over on 23 September 2014, bringing with him his **business as unusual**: nothing remains that could be considered customary in a normal democracy. The entire structure and its aims has become a part of Orbán’s infamous peacock dance. Martonyi and his team were incapable of staying within the limits of normalcy in the previous era; in fact, they had retreated into a sort of utter passivity. The new foreign policy leadership enthusiastically revived the style unique to the first generation of diplomats in the people’s (communist) democracies. As the errand boy for the “adopted political family,” Sziijártó was perfectly capable of playing the role assigned them by the Fidesz government.

Many do not understand the point of this governing procedure. In fact, it is obvious if we look at it from the basic viewpoint of the Orbán government:

- Orbán wants to remain in power by all means, running his mafia system perhaps for decades, and by this not only guaranteeing a political framework favorable to him, but above all the economic conditions which place those chosen by his regime close to the state's resources, that is, as the sole benefactors of growing capital.
- This goal cannot be achieved within the Western framework, the precondition of which is transparency, rule of law, and democracy, and, as a result, the rotation of power roles between political forces.
- Therefore, it is Orbán's interest to free himself from these constraining factors and find sources that—as opposed to Western ones—do not tie his hands. Hence, Orbán's interest is to finally leave the Western political and economic communities.

It is possible that this is not yet clear to everyone, and there are many who think and hope that Orbán could not politically survive such an endeavor. This is quite possibly true. However, there is also no doubt that Orbán gives credence to the possibility that he does in fact have the power to complete this and also that he can politically survive such an endeavor. This is supported by every enacted decision since 2010 and even more so by the fact that since 2014 the murderous and suicidal tendencies of Fidesz's leading man have not abated, but have visibly doubled.

Confrontation with Our Allies: Experimenting with a Geopolitical Change of Direction

The bulk of legal processes that churned up or perhaps annihilated the democratic legal system developed between 2011 and 2012. When, at the end of 2011, the country became a perpetual target for international organizations and humanitarian forums not only from a legal standpoint, but relations visibly deteriorated with the EU and also the IMF, a newer revision of traditional Hungarian foreign policy took place. The concept of “global opening” surfaced.

Adapting to the opportunities of globalization is justified, in fact, necessary in governmental politics; what is more, every previous Hungarian government had lived with most of the opportunities to find new markets for Hungarian export and to attract investments from areas outside Europe as well. The diplomatic wing took it as such; even the expression **global**

opening came from the Ministry of Foreign Affairs. However, this was soon replaced by the so-called **politics of the Eastern wind**, which revealed far more of the true intentions of path searching, meaning far more than a broadening of economic dimensions. The Hungarian government was not only looking for markets for its wares and investment for its businesses, but special investments from special markets, too—investments that do not carry with them expectations, which, for example, are typical of the IMF's loan policies. Orbán did not require credit, which could be fully traced, since then—before he could even lay the grounding funds—the mafia state-like nature of his plans would have become apparent.

The “politics of the Eastern wind” not only considered risky countries in relation to Hungary due to their antidemocratic systems (Kazakhstan) or questionable governmental terrorist connections (for example, Lebanon), but also opening toward Russia and China and, later, toward Iran, moves that endangered Hungary's relations with its strategic partners, both within the EU and across the Atlantic.

Hungary at this moment is an isolated player: surrounding countries can sense the danger emanating from Russia's empire-building conflicts. In contrast, the Hungarian government is of the opinion that they can use it for their unique—mostly domestic—purposes. That is why they reject the solidarity that maintains unity in the Western alliance, while becoming more and more involved in the political region being affected by Vladimir Putin's will.

The escalation of the Russia-Ukraine conflict nullified Viktor Orbán's calculations on two counts. First, it made it clear that the Hungarian government had overestimated Russia's economic power; the cancellation of the South Stream gas pipeline project hit Orbán like a cold shower, and also that the Paks 2 nuclear plant construction project failed at the end of 2014, due to Russian financial difficulties. Second, a certain cold war conflict emerged, that aligned Europe with the politics of the United States and NATO. Though—because of the complete lack of diplomatic planning—the Hungarian government ascertained that the gap of interests between the United States and Europe continued to be of a magnitude that overwrites security concerns. However, this did not come to pass and obviously will not in the near future. On the contrary, the West is increasingly unified in its responses to international political events, while the Hungarian government lacks the tools to actually resist this unified movement and has no allies who would support it in this.

There are clear indicators that NATO no longer considers Hungary a fully valued member, and it has been clearly stated from the top that the kinds of information Hungary has access to has been curtailed significantly. The reason is simple: they would not like secret information to reach Moscow, especially when a new cold war is unfolding. They no longer consider Viktor Orbán their ally, but an ally of the Russians.

Ever more regularly Orbán relies on saying that America's impossible expectations and illegitimate interferences are unacceptable, and we must return to those traditions that have always characterized the peoples of Eastern Europe: the solution is in a "unified front," and not in the acceptance of "American advice." But Orbán has no allies in Eastern Europe either, since it was with them, especially with the neighboring countries and then the Baltic states, that he fatally ruined Hungary's foreign relations; additionally, Poland is viewing his politics with an increasingly impatient eye.

Western democracies need not concern themselves any more with the declining credibility of Orbán's government—this has happened already. This has not exactly occurred without their help—the importance of the scandal of having Hungarian public servants banned from the US, should not, and cannot be understated—but mostly it came from the Hungarian opposition. Today, the country stand just about where it must have stood at the end of the 1980s when—to paraphrase Marx—the governing power could no longer practice its power as earlier, and people no longer wanted to live the way they had been living.

The opposition and civilians must redefine their reason for existence in this process, and what is today called "Obama's doctrine" may be of some help to them. We have a chance to relive 1989—all the players are present. There is an antidemocratic (what is more, a kleptocratic, discredited) government that must be cleared away, and there is a democratic opposition that is taking shape. Furthermore, globally there is a strongly democratic world, and in opposition an authoritarian Russia stumbling from recession to recession. In alliance with the latter is Orbán, the right wing he leads, and the far right he controls; the former contains everyone else who stand against them.

NOTES

- ¹ Fareed Zakaria, "The Rise of Illiberal Democracy," *Foreign Affairs* 76.6 (1997): 22–43.
- ² The best summary of Berlusconi, including his family life: Paul Ginsborg, *Silvio Berlusconi: Television, Power and Patrimony* (London: Verso, 2004).
- ³ Alexander Stille, "Why Do Italians Forgive Berlusconi?" *The New Yorker*, 26 June 2013.
- ⁴ Alexander Stille, "Berlusconi Was a Total Disaster for Italy and Its Political System," *Foreign Policy Journal*, 31 January 2013.
- ⁵ Umberto Eco, "Per chi suona la Campana," and "Il Referendum Morale del 13 Maggio," both in *L'Unita*, 8 May 2001.
- ⁶ Attila Ara-Kovács and Mátyás Eörsi, "Mindennek vége?" [The end of everything?], *ÉS*, 13 August 2010.
- ⁷ Geoff Andrews, *Not a Normal Country: Italy after Berlusconi* (Ann Arbor: Pluto Press, 2005), 73–75.
- ⁸ Danielle Albertazzi and Duncan McDonnell, eds., *Twenty-First Century Populism: The Spectre of Western European Democracy*, Basingstoke: Palgrave Macmillan (2008), 94.
- ⁹ Attila Ara-Kovács and Bálint Magyar, "A kiszorított test" [The displaced body], *Magyar Narancs*, 1 August 2013.
- ¹⁰ Ibid.
- ¹¹ Jan Puhl, "Poland Under the Kaczynski Twins: A Culture of Mistrust," *Der Spiegel*: 15 February 2007.
- ¹² "Brońmy naszych węgierskich partnerów przed niesprawiedliwymi atakami." True, it is Sikorski who would like to follow in Tusk's footsteps as soon as possible; he is an undeviating Atlantic supporter—which can no longer be said of Orbán at all—and also dedicated to the German orientation. Today, this cannot be assumed of Orbán, either.
- ¹³ "Węgierscy nacjonalisci zniszczyli hostel w Śródmieściu" [Hungarian nationalists destroy downtown hostel], *Gazeta Wyborcza*, 10 November 2012.
- ¹⁴ Igor Janke, *Napastnik. Opowieść o Viktorze Orbánie* (Warszawa: Demart, 2012)/ *Hajrá, magyarok!—Az Orbán Viktor-sztori egy lengyel újságíró szemével* [Go, Hungarians! The Viktor Orbán story in the words of a Polish newspaperman] (N.p.: Rézbong Kiadó, 2013).
- ¹⁵ "Wizja Orbána: Europa wartosci," *Uwazam Rze*, 26 November 2012.
- ¹⁶ Fyodor Lukyanov, "Putin's Health and the Future of Russian Power," *Russia in Global Affairs*, 6 December 2012.
- ¹⁷ Endre Aczél, "Új család" [New family], *Galamus*, 2 August 2013.
- ¹⁸ Marcel van Herpen, *Putinism: The Slow Rise of a Radical Right Regime in Russia* (Basingstoke: Palgrave Macmillan, 2013), 195.
- ¹⁹ This chapter of the study is based on the article of Attila Ara-Kovács and Bálint Magyar, "Birodalmak periferiáján" [On the periphery of empires], *Magyar Narancs*, 24 February, 2014.

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- ²⁰ The roles in which the Hungarian right wing has ascribed to Russian autocratic goals in this second decade of the millennium is both educational and spectacular. It became apparent, how Jobbik took on solidarity with Putin in exchange for rolling rubles, while Fidesz–KDNP willingly pays, with Hungarian tax money the price (Paks) of gaining alternative alliance in its anti-EU autocracy with Putin.
- ²¹ The act clearly served to announce the new nationalistic course of action, and as a symbolic resignation to NATO and the bilateral agreements signed with neighboring countries on joining the EU. The law announced on 4 June—the Trianon Peace Treaty was signed 4 June 1920—as “the day of national unity.” The peace treaty separated Hungary from two-thirds of its previous territory and so the Hungarian state lost more than half of its residents.
- ²² With this law the Orbán government gave the right to all Hungarians living abroad the right to claim Hungarian citizenship. With this they automatically gained the right to vote in parliamentary elections, regardless of whether they had an address in Hungary.

Epilogue

Iván Szelényi

Capitalism After Communism

It would be plausible to construct a ‘variety of communisms’ theory, categorizing the state-socialist economies not only by region but by historical epoch. China, for example, imitated the Stalinist model in the first years after the Revolution, but by the 1960s the PRC had developed its own unique social and economic institutions. The goulash communism of János Kádár’s Hungary, which took shape after 1956, differed drastically from the classical Soviet model. Nevertheless, during the last decades of state socialism, the communist societies were broadly on a convergence trajectory: the gap between Czechoslovakia or Hungary and the USSR, for instance, narrowed. State ownership of the means of production, the redistributive nature of economic integration and the political monopoly of the Communist Party created a homologous institutional environment. The system largely suppressed the legacies of pre-communist times.

In the first decade of the transition to market capitalism, however, the former communist countries followed different courses. During this early stage of transition, we may distinguish three distinct post-communist orders. The first is ‘capitalism from the outside’, the experience of Central Europe, which might also be described as the liberal or neo-liberal model. The second, ‘capitalism from above’, is to be found in Eastern Europe, Russia and the former Central Asian soviet republics. The third is the Chinese ‘capitalism from below,’ which flourished from 1978 until the mid-1980s, the closest to the classical type of original accumulation of capital.¹ This paper will argue, however, that more recently the various types of post-

communism have unexpectedly begun to re-converge around a new model, pioneered in Russia since 2000. Somewhat surprisingly, this new system seems to be attractive to some of the Central European countries, especially Hungary. Even China is changing. When Beijing first began to privatize the public sector in 1997–98, after two decades of reform, it followed the strategy of Eastern Europe. Since the ascent of Xi Jinping, there are indications of some convergence with the new Russian model. But before examining this re-convergence, we need to look in more detail at the three initial ideal-types of post-communist transformation.

Accumulation processes

The original accumulation of capital was by no means a promenade. Marx described the process with exceptional precision and clarity in Part VIII of *Capital*, Volume One.² The leading figures of the American grand bourgeoisie, formed between 1860 and 1900, have often been described as ‘robber barons.’³ Rockefeller, Jay Gould, Carnegie—and many others—started their businesses during the American Civil War. They were young men, many of them from dirt-poor families, who became multi-millionaires in a few years. Their breakneck accumulation of capital often took place under dubious conditions. They swallowed state subsidies, occasionally bribed legislators. Vanderbilt and Gould even had private armies that fought small wars against each other, much like the Russian oligarchs.⁴ Some historians have argued that John Rockefeller was the richest person ever; his wealth in 1900 has been estimated at \$200 billion in current prices, two or three times as much as Bill Gates owns today.⁵ The robber barons rewarded their clients handsomely, but punished them severely if they were disloyal.

The analogies with the accumulation of capital under post-communism are striking. Nevertheless, the stories of the robber barons, and even the descriptions in Part VIII of *Capital*, pale as we compare them with some—especially Russian—post-communist examples. Post-communist accumulation is unique. In all other historical instances of transition to capitalism, accumulation of some capital occurred within the womb of pre-capitalist formations. Communism was the only ‘pre-capitalist’ formation to have outlawed private ownership. In addition, the post-communist grand bourgeoisies enclosed the commons much faster than any of their predeces-

sors; given the speed of the privatization processes, we should not be surprised to find mafia features in every post-communist capitalism. To put it bluntly: these were domains of robber barons, irrespective of the color of the government.

The specter of neo-liberal capitalism was already haunting the still state-socialist societies of Central Europe by the late 1980s. In this part of the world, a commitment to democratic policies complemented the commitment to neo-liberal economics during the transition. There were some differences among the Central European countries in the form these commitments took:⁶ in the Czech Republic, Václav Havel was obviously more of a liberal by conviction than Vladimír Mečiar in Slovakia, Jarosław and Lech Kaczyński in Poland—or, for that matter, József Antall in Hungary. There were also differences in the speed and methods of privatization. Poland started out with neo-liberal shock therapy, whereas Slovenia adopted a more gradualist strategy. The Czech Republic ‘reprivatized’ some assets, giving back property confiscated under communism to its original owners; Hungary and Poland opposed such policies. Some countries, like Hungary, relied heavily on the market in their privatization processes, selling state-owned property at reasonably fair competitive auctions.⁷ Many countries used vouchers to compensate people who had lost property under the communist regimes, or in an attempt to grant ownership to the workers, though the extent of these systems varied greatly. Nevertheless, within a decade ‘the commons were enclosed’; by the year 2000, for all practical purposes, public property had been converted into private assets.

Types of capital

In the course of the privatization processes, people had to compete for public property on the market. Once private property was established, the balance of power tended to shift from political to economic strength; at least in this respect, these new formations began to look more like classical capitalisms. Yet, this needs some qualification. In the Central European transition, social and political capital played a more substantial role than in classical capitalism. Social capital is of course a very broad concept.⁸ Here, let us say simply that those who possess it can use their social connections to obtain certain ends, though this requires continuous ‘investment’ in building and maintaining social contacts. Once they have accumulated

enough social capital, they can expect returns or profits. I will define political capital as an instance of social capital accumulated in political institutions. If I join a party or enter office, I begin to accumulate political capital with which I can attain various goals. Personal enrichment may be one such goal; if this happens extensively, we may call it “political capitalism.”⁹

Social and, in some cases, political capital often played an important role in the original accumulation processes of post-communist capitalisms. True, political capital was not quite as important as it had been under communism. In the late 1980s and early 90s, quite a few researchers had assumed that the new grand bourgeoisie would be recruited from high-ranking communist officials, who would convert their political capital into economic assets.¹⁰ This was a powerful hypothesis. The available data on this subject are not particularly reliable, since those ‘converting’ political into economic capital may conceal their wealth. Nevertheless, the figures we have suggest that, though such ‘conversion’ of capital did take place in Central Europe, it was not the dominant mode of accumulation there; it was far more frequent in Eastern Europe, in particular in Russia and Ukraine.

In Central Europe, social capital was unquestionably more important than political capital in acquiring wealth and obtaining positions under the post-communist regimes. Personal connections and information about the companies offered for privatization complemented the play of market forces. Privatization agencies often auctioned firms at prices below their actual value, and one needed contacts—both with the management of the enterprise and with the privatization agency—to get accurate information on what they were worth. Sometimes these connections were ‘political,’ other times merely ‘social.’ The largest private empires born in the 1990s—and most new economic empires started during this decade—came from the auction of Communist Party and Communist Youth League assets. In these cases, political capital was obviously the driving force.

In addition to social and political capital, did ‘human’ and ‘cultural’ capital have any role to play in the original accumulation processes in Central Europe? These concepts are usually defined in terms of knowledge. ‘Human’ capital is generally understood to manifest itself in productivity gains, with technical know-how the prime example: firms offer higher salaries and more decision-making power to skilled engineers and economists, assuming they will make substantial contributions to the profitability of the company. ‘Cultural’ capital is different; George Konrad and I once defined it as derived from ‘trans-contextual orienting knowledge.’¹¹

Bourdieu's definition—that cultural capital comes from theoretical knowledge—is less awkward, and may be sufficient. To put it very simply: the possessors of *human* capital are technocrats, while the intelligentsia or intellectuals own *cultural* capital. Arguably, this type of cultural or intellectual capital played a crucial role in the early transformation of Central Europe: Antall and Göncz in Budapest, Havel in Prague, Kis and Michnik in Warsaw were eminent members of the intelligentsia; they produced very little profit, but they were the driving forces in the transition from communist to liberal capitalism. Virtually none of these people joined the ranks of the new grand bourgeoisie.

As the post-capitalist formations stabilized, the significance of cultural capital declined and economic capital took its place. The incumbents of high-ranking economic and political posts were also less and less likely to be intellectuals, and more and more certain to be technocrats or political 'entrepreneurs.' Viktor Orbán and politicians like him replaced characters like Michnik and Kis. Liberal capitalism in Central Europe thus drew closer to classical capitalism, as cultural capital lost influence; social and political capital, which had successfully concealed itself in the background, has made itself felt more forcefully in the past few years.

Eastern European outcomes

In Eastern Europe—Russia, Ukraine, Belarus, but also the Balkan countries—post-communist transformation took a different route. In Central Europe, the former communist elite simply melted down: the older generation—often prematurely—passed away (János Kádár and György Aczél are prime examples). A broader layer of communist true believers likewise did not long outlive the collapse of their dream. The younger generation and the children of high-ranking communists, however, started to 'build' capitalism with as much enthusiasm as they (or their parents) had built communism a few decades earlier. In Eastern Europe, by contrast, the communist power structure survived to a large extent. This was the case in Russia, Ukraine, Belarus, the former Central Asian soviet republics and, to some extent, in countries like Bulgaria, Romania, Serbia and Croatia. By and large, politics retained its primacy over economics.

This led to a peculiar system of original capital accumulation, with public assets privatized in a way that, reinterpreting and re-applying

Weber's terms, we might describe as 'patrimonial'. In the first volume of *Economy and Society*, it will be recalled, Weber distinguishes three types of traditional authority. Under 'patriarchy', the master exercises authority in his own person, without a staff of followers. Where the master has a staff, or followers, authority may be either prebendal or patrimonial in form. Under prebendalism, the master rewards his followers with 'benefices', offices and property that are awarded on the basis of loyalty and service, and can be taken away again in cases of unsatisfactory behavior. Property rights under prebendalism are therefore somewhat insecure. Sultanism is its most extreme example. Under patrimonialism, by contrast, the master rewards his followers with property in the form of 'fief', which is inheritable; property rights are therefore quite secure. Western feudalism is the purest type of patrimonialism.¹²

During the Yeltsin years in Russia, public property was converted into private wealth in an essentially patrimonial fashion. Yeltsin acted like a tsar, 'appointing' the new owners. People acquired assets by the grace of the ruler. Something like this happened in all the post-Soviet lands, with the exception of the Baltic states; the former communist officials retained their political power, and chose the members of the new grand bourgeoisies. In Russia, the story takes on the quality of a fairy tale: Yeltsin was often under the influence of alcohol, had difficulties making decisions and, according to well-informed journalists, on matters of privatization relied increasingly on the advice of his beloved daughter, Tatyana.¹³ Privatization was an urgent task. Yeltsin's stated goal was to 'build' capitalism in 500 days, in a country where there had been no private capital accumulation. Apparently Tatyana screened the candidates to decide who was more talented, who was likely to remain loyal. 'This is a good guy, he should get property. This is a bad guy and should get nothing.' There were auctions in Russia—much like in Central Europe—but the evidence presented by Paul Klebnikov suggests that they were manipulated on a scale far beyond what took place in Central Europe, with Yeltsin and the central powers simply picking the winners.

The political authority created this big bourgeoisie almost overnight. Those who had obtained their assets by 'the grace of the lord' (Yeltsin) became the new class of capitalists. Yet, their property rights seemed quite secure. Yeltsin asked only that the new big bourgeoisie should stand behind him in times of crisis. Indeed, the 1996 presidential elections showed this was a reasonable expectation. His popularity was at an all-time low and he faced a formidable challenger, the communist Zyuganov. Russia's seven

biggest businessmen—just five years after the collapse of the USSR, they claimed they owned half the country—lined up behind him and put their media at his disposal; with the help of Clinton’s political advertising professionals, this assured his re-election. This was a patrimonial system, in the sense that the source of wealth was political power, but the property the Russian oligarchs received from their lord was quite secure—‘fief’, in Weber’s terms. Yeltsin did make a few attempts to regulate some of the new capitalists—Gusinsky, for example—but had to backtrack. By the end of the 1990s, the new oligarchs were starting to behave like boyars, exploiting the weaknesses of the central power and even nursing political ambitions for themselves; some of them, especially Berezovsky, gained a good deal of political influence.

There were some cases in Russia of the conversion of political into economic capital. The extreme case is that of Chernomyrdin, Yeltsin’s prime minister. By the late 1990s he was one of the wealthiest people in Russia. Though Chernomyrdin hid what he could, the CIA estimated his wealth to be in billions of US dollars. He himself conceded that he owned a few million. We do not know of a single case in Central Europe in which those with political power accumulated wealth on such a scale. In Russia during the 90s, economic and political capital played an almost equal role. Neither cultural nor human capital was particularly significant. Nevertheless, political authorities were concerned about the potential power of cultural capital: the enemy, the danger for political hegemony, was cultural rather than human capital. Journalists—some of them murdered—represented a greater threat than technocrats.

Chinese characteristics

China followed a highly distinctive trajectory during its first decade of reforms after 1978, ‘building’ capitalism ‘from below.’ Capital accumulation was more likely to be market-determined. The main winners of the early years were the countryside and the peasantry. Until the mid-1980s social inequalities, especially inequality between the countryside and cities—probably the most embarrassing feature of Maoism—declined as the reforms progressed.¹⁴ Many of the ‘new rich’, including the rapidly growing number of Chinese billionaires, came from very modest backgrounds. By the late 1990s, when privatization of the corporate sector got underway,

China's trajectory had changed quite radically. *The New York Times*, for instance, reported that the family of former Prime Minister Wen, praised as the 'people's prime minister,' owned over \$2 billion.¹⁵

It is debatable whether China is a post-communist formation; I am agnostic. Kornai astutely identifies three characteristics of communist regimes: the means of production are in public ownership; the economy is bureaucratically coordinated; and political power is the monopoly of a single party, whose legitimating ideology is Marxism-Leninism.¹⁶ On this measure, China has become a capitalist country in certain respects: a substantial part of the means of production is in private hands—how much is hotly disputed, but nearly everyone agrees that the PRC is moving towards an economy dominated by the private sector.¹⁷ The market coordinates a great deal of economic activity—though some argue that administrative intervention into the economy is still extensive.¹⁸ Nevertheless, China is a one-party state, with 'politics still in command', to coin a phrase, even if the CCP's economic role, political clout and legitimacy are gradually waning. It is also debatable how far the Party is still Marxist-Leninist; undoubtedly, nationalism and Confucian ideas play an increasing role in its legitimization.¹⁹ China today is a hybrid system between communism and capitalism, and I would not want to take a stand on precisely how far it has advanced towards market capitalism. Few would dispute, however, that political capital is at least as important as economic capital in China today.

Re-convergence?

Since the start of the new century, however, there have been intriguing signs of at least a partial reconvergence in the trajectories of these post-communist capitalisms. The change started with the rise of Putin to power in 2000. By the time he assumed the presidency, the government agencies had completed the privatization process, so he did not have the resources to recruit his own loyal propertied class. Putin's great innovation was the redistribution of the corporate assets obtained during Yeltsin's time. Putin did not accept the 'patrimonial' property arrangements Yeltsin had created. The excessive power of the oligarchs bothered him; he wanted a 'service nobility'. He needed a class of wealthy people, but did not want the big bourgeoisie to interfere with his political project; he was ready to confiscate their property if they did not serve him well enough. Hence he decided

to crack down on the new rich for two reasons: first, he did not want big money to have political ambitions and wanted to make sure only those who were loyal to him kept their wealth; second, after expropriating the uppity oligarchs he could redistribute their wealth to new supporters, in exchange for their political silence and loyalty. Following Weber, I call this a shift from 'patrimonialism' to 'prebendalism.'

Putin subjected the oligarchs to loyalty tests. Those who failed had a choice between emigration and jail in Siberia, but in both cases they lost most of their wealth. Wealthy people everywhere tend to have skeletons in their closets; was there anyone who did not cheat on taxes or pay bribes to get information or loans from banks without a decent credit record? Putin also extended the powers of the executive and brought the prosecution and, to some extent, the courts under its power. Under these circumstances, he could selectively criminalize members of the big bourgeoisie whose wealth he desired to appropriate, or whom he considered his political enemies. Selective criminalization became a technology of domination. Transforming Yeltsin's patrimonialism into prebendalism, Putin reduced the security of newly acquired private property: the Yeltsin-era fiefs became mere benefices; only those who proved their loyalty could retain their property. Putin's 'turn'—politically neutralizing the oligarchs, who had been running the country in tandem with the president—has historical analogies in Russia. Until the fifteenth century, Russian tsars were hemmed in by powerful aristocrats, or boyars, who enjoyed security of office. It was Ivan III who confiscated the boyars' land holdings in order to limit their powers. He replaced them with a service nobility, the Pomeschchiki, whose offices and holdings were conditional on their services.²⁰ The struggle between the tsars and boyars went on for centuries; it was only Peter the Great who eliminated the title 'boyar' altogether. By contrast, it seems that one decade was enough for Putin to turn the oligarchs of Yeltsin into a 'service nobility.'

On the path to Putinism?

But Putin's 'turn' seems to be influencing other post-communist capitalisms, too. Whether or not Xi Jinping's anti-corruption campaign shares features with Putin's prebendalism will not be investigated here; certainly there are obvious differences, including the fact that privatization has not been 'completed' in China and many large-scale assets remain state-owned.

In addition, the crackdown on ‘tigers and flies’—which since 2012 has felled over a hundred high-ranking officials, including the CEOs of state-owned companies as well as the head of national security, military officers and provincial Party chiefs—has so far not concerned itself with private companies.

Hungary, however, does show signs of following Putin’s lead. The Orbán regime is only slightly more corrupt (if more corrupt at all) than the previous post-communist governments. Nevertheless, it is definitely more aggressive and, since it has a two-thirds majority in parliament, it has much more power. It does whatever it wants. It has enacted a new constitution and then changed it several times already, in order to pass laws serving the leadership’s own interests. By the time of the electoral victory of Fidesz in 2010, the ‘commons were already all enclosed’: the previous regimes had been able to reward their constituencies through the processes of privatization, which may not have been entirely clean; this method of rewarding clients was not available to the second Fidesz government. Under these circumstances, the only way that Fidesz could create and maintain a loyal following was through the redistribution of wealth already allocated to new owners. We have seen that the most efficient method for this is selective criminalization. In order to operationalize this, the government had to bring the prosecution and the judiciary under its control. This led the post-2010 Hungarian regime down the road to ‘illiberalism’—by which I mean the weakening of individual liberties, including private-property rights, and of the separation of powers. When Orbán stated, astutely and provocatively, that the regime he was trying to build was illiberal, he was telling the truth.²¹

Of course, the post-2010 regime is also corrupt; but what makes it unique is not the extent of that corruption, but the redistribution of property from disloyal former owners to loyal new ones. This began with the nationalization of private pension funds and continued with the re-regulation of tobacconists. Before the new edict, all food stores and petrol stations could sell tobacco, which accounted for a good deal of their revenue. Now the Orbán government has transferred this profit to the National Tobacco Shop operators, who have an exclusive monopoly on tobacco sales. The idea of reducing tobacco consumption was not bad in itself. But who received licenses to operate these shops? They turned out to be almost exclusively Fidesz loyalists. Issuing National Tobacco Shop licenses was an effective way to redistribute profits to clients and secure a committed following. Is this a sign that the Orbán regime is on its way to Putinism—

hence, prebendalism? And is such a move a uniquely Hungarian phenomenon? To the first question, the answer is a qualified yes; to the second, a qualified no.

I call the post-2010 Fidesz regime ‘Putin-lite.’ In some respects, it has many similarities with Putinism: it is socially conservative, it places a great deal of emphasis on patriotism and religion, it reduces the separation of powers and the security of private ownership. In short: it is an illiberal regime. Nevertheless, so far the Fidesz regime has not confronted the big bourgeoisie as radically as Putin did after 2000. The allocation of National Tobacco Shop licenses to followers is a sort of petty Putinism. Some—rather small businessmen—lost some of their profits. Political authorities used the redistribution of profits to strengthen the political base of the regime by rewarding friends, relatives and potential friends. This was a transfer of funds from some small and medium-sized businesses to other small and medium-sized businesses, guided by political considerations. However, the writing is on the wall. János Lázár, Minister of the Prime Minister’s office, publicly called Sándor Csányi, the richest man in Hungary and President-cum-CEO of the largest Hungarian bank, a ‘usurer’. Csányi—perceived as a right-wing sympathizer—sensed this could be a criminal charge and counter-attacked. Mr Orbán was silent, did not take sides in the controversy and carried on attending soccer games in the company of the banker. Another staunch supporter of Fidesz, Sándor Demjén, also among the top five wealthiest Hungarians, found himself on a collision course with the Orbán government when it nationalized the network of Savings Banks in which he had an interest. The most intriguing development in 2014 was the ‘war’ that erupted between Orbán and Lajos Simicska, the Fidesz party treasurer and a close friend of Orbán. Simicska was a facilitator of capital accumulation for the party elite, but he began to grow too wealthy and too powerful, showing signs of independence. Orbán made clear that he did not want ‘the trees to grow into the skies’; he would prefer ‘many small Simicskas’ to one rich and powerful one. In response to these challenges Simicska went on the offensive and floated the idea that he might run as a candidate in a crucial by-election in Veszprém, where he had economic interests and followers, at which the two-thirds parliamentary majority of Fidesz was at stake. In the end he didn’t stand—he probably calculated, correctly, that Fidesz would lose the seat and its two-thirds majority anyway.

But there is a feeling that war between political power and corporate business is on the horizon, and no one can tell what the outcome will be.

The struggle between Orbán and Simicska, Fidesz and the big bourgeoisie, is far from over, and only history will tell who the winner will be. However, one thing is quite clear: Fidesz increasingly reads from the cookbook of Putinism. As to whether this shift from a liberal or neo-liberal model to a version of prebendalism and illiberalism is a uniquely Hungarian phenomenon, I do not have a definitive answer. There are political players in almost all post-communist Central European countries that in many ways resemble Fidesz: Mečiar/Fico, Babiš, Kaczyński, Băsescu, Borisov—just to name a few who share similar traditionalist, almost paleo-conservative ideologies. Nevertheless, Hungary is undoubtedly the leader of the ‘Eastern opening.’ It is hard to tell whether any—or which—of the Central European countries might follow it. But like crony capitalism, prebendalism cannot simply be attributed to the aberrations of a leader with a twisted mind. Post-communist capitalism is pregnant with forces that point to a drift from the liberal model. As Fukuyama conceded in his latest book: history may not have ended after all.

NOTES

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² Marx, *Capital* vol. 1, London 1976.

³ Matthew Josephson, *The Robber Barons* (New York: Mariner Books, 1962).

⁴ Josephson, *The Robber Barons*, 121–48.

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- ¹¹ George Konrad and Iván Szelényi, *The Intellectuals on the Road to Class Power* (New York: Harcourt, Brace and Jovanovich, 1979).
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- ¹⁴ See Nee and Oppen, *Capitalism from Below*; Eyal, Szelényi and Townsley, *Making Capitalism Without Capitalists*; and Victor Nee, "A Theory of Market Transition," *American Sociological Review*, vol. 54, no. 5, 1988. For data see Szelényi, "Pathways from Crises after Communism: The Case of Central Europe," *Belvedere*, vol. 26, no. 4; Part II of this study: "The Case of Former USSR and China," *Belvedere*, vol. 27, no. 1, 5–26.
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The twenty-five essays accompany, illustrate and underpin the conceptual framework elaborated in Bálint Magyar's *Post-Communist Mafia State: The Case of Hungary* (CEU Press–Noran Libro, 2016). Leading specialists analyze the manifestations of the current political regime in Hungary from twenty-five angles. Topics discussed include the ideology, constitutional issues, social policy, the judiciary, foreign relations, nationalism, media, memory politics, corruption, civil society, education, culture and so on. Beyond the basic features of the economy the domains of taxation, banking system, energy policies and the agriculture are treated in dedicated studies.

The essays are based on detailed empirical investigation about conditions in today's Hungary. They nevertheless contribute to the exploration of the characteristic features of post-communist authoritarian regimes, shared by an increasing number of countries in Europe and Central Asia.



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